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IN THE

Supreme Court of the United States

OCTOBER TERM, 1981

COLUMBIA BROADCASTING SYSTEM, INC.,

Petitioner,

v.

ROY EXPORT COMPANY ESTABLISHMENT OF VADUZ, LIECHTENSTEIN, BLACK INC. A.G., FILMVERHUURKANTOOR DE DAM B.V. and RBC FILMS,

Respondents.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

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Questions Presented for Review

1) Whether under the Supremacy Clause and the Copyright Act a state law unfair competition claim is preempted where a federal copyright infringement claim and the state claim each arise from a single CBS broadcast of federally copyrighted film clips?

2) Whether preemption precludes separate federal and state claims which permit separate jury compensatory awards for harm redressable under the Copyright Act?

3) Whether preemption precludes an award of punitive damages under the state claim?

Declaration Pursuant to Rule 28.1

The Court is hereby advised that the non-wholly owned subsidiaries and/or affiliates of CBS Inc. are:

Hall House, Inc.; Music Publishing Co. of Australia Pty. Ltd.; Phonographic Performance Co. of Australia Limited; Music Service Center Gesellschaft m.b.H.; Cogedep S.A./N.V.; Discofita Distribuidora Ltda.; Editora Melograf Ltda.; PANDISC—Parada Nacional do Disco Ltda.; Shorewood Packaging Corp. of Canada Limited; CBS Records Chile Ltd.; Grammofonselskabs Distributions Centralen A/S; Shorewood Packaging Company Limited; PEC Musiikkitukku OY; CBS Disques S.A.; Societe Freycinet-Wilson S.A.; Les Editions April Music S.A.R.L.; B.V. Grammoservice, Distributiemaatschappij voor Grammofoonplaten; Igaku-Shoin/Saunders Ltd.; Plate-Sentralen A/S; Grammo Rack Service A.B.; Paul Mulvihill Ltd.; Hodder Fawcett Limited; Collections House International S.A.R.L.; CBS/SONY Inc.; CBS/SONY Hong Kong Limited; CBS Gramophone Records and Tapes (India) Limited; CBS Records (Kenya) Limited; CBS/SONY Family Club, Inc.; CBS/SONY Records Inc.; April Music Inc.; EPIC/SONY Inc.; Music Plaza Inc.; Japan Record Distribution System Inc.; CBS/SONY Publishing Inc.; Kawaii Musical Instrument Mfg. Co. Ltd.; April Music Publishing Company (Proprietary) Limited; Gramophone Record Company (Proprietary) Limited.

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IN THE

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October Term, 1981

No.

COLUMBIA BROADCASTING SYSTEM, INC.,

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v.

ROY EXPORT COMPANY ESTABLISHMENT OF VADUZ, LIECHTENSTEIN, BLACK INC. A.G., FILMVERHUURKANTOOR DE DAM B.V. and RBC FILMS,

Respondents.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

Petitioner, CBS Inc. ("CBS"),[1] respectfully prays that a Writ of Certiorari issue to review a judgment of the United States Court of Appeals for the Second Circuit which upheld awards of (a) compensatory damages for statutory copyright infringement and (b) compensatory and punitive damages for unfair competition under state common law—both awards predicated upon a single infringing CBS News broadcast.

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[1] Incorrectly sued under its former name, Columbia Broadcasting System, Inc.

Opinions Below

The opinion of the Court of Appeals for the Second Circuit is not yet officially reported and is reproduced in Appendix A ("App. A"-1) of this Petition. The opinion and order of the District Court denying CBS' motion for a judgment notwithstanding the verdict is reported at 503 F.Supp. 1137 (S.D.N.Y. 1980) and is reproduced in Appendix B ("App. B"-24).

Jurisdiction

The judgment of the Court of Appeals for the Second Circuit was entered on March 4, 1982. On April 14, 1982, the Court of Appeals granted CBS' Motion for Stay of the Mandate. The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

Constitutional and Statutory Provisions Involved

Relevant portions of the following constitutional and statutory provisions appear in Appendix D ("App. D"-65):

CONSTITUTION:

Article 1, Section 8, Clause 8 (Copyright Clause)

Article 6, Clause 2 (Supremacy Clause)

STATUTES:

1909 Copyright Law, 17 U.S.C. § 1 *et. seq.*

1976 Copyright Law, 17 U.S.C. § 101 *et. seq.*

Statement of the Case

Preliminary Statement

On December 26, 1977, the night after Charles Chaplin died, the CBS News Division ("CBS News") broadcast a half-hour obituary tribute to Chaplin—one of the greatest 20th century filmmakers. "Although he died yesterday," the moderator announced, "he is survived by the legacy of his pictures." Excerpts from federally copyrighted Chaplin films, owned by plaintiffs, were included in the broadcast. Plaintiffs brought suit under the Copyright Act [2] and also alleged unfair competition and common law copyright infringement. On the first day of trial, counsel for plaintiffs began "Now you heard his Honor say that this was a copyright case, and indeed it is. . . ."

Plaintiffs claimed that the broadcast by CBS News diminished the value of six Chaplin films and two works derivative of the Chaplin films, all of which were protected under the Copyright Act. These two derivative film works were the "Compilation," a thirteen minute montage composed entirely of copyrighted Chaplin film excerpts, and "The Gentleman Tramp," a ninety minute biography tracing Chaplin's life through the use of copyrighted Chaplin film excerpts. In addition to proceeding under federal law, plaintiffs fashioned two separate state law causes of action in an attempt to magnify the damages from the CBS News broadcast. The cause of action for unfair competition purports to

[2] Plaintiffs alleged that the action arose under the Copyright Act of 1909, 17 U.S.C. § 1 *et seq.*, and that the district court's jurisdiction was based upon 28 U.S.C. § 1332 and 28 U.S.C. § 1338(a) and (b) and principles of pendent jurisdiction.

be based upon the *manner* in which CBS acquired and copied the Chaplin film excerpts.[3]

Statement of Facts

Sir Charles Chaplin, an English citizen, lived in the United States for the greater part of his life and produced domestically the Chaplin films which form the subject of this suit. After a visit to Europe during the height of McCarthyism, he was denied reentry to the United States on allegations that he harbored leftist sympathies. Chaplin remained in Europe until his death in 1977, with the exception of one visit in 1972 to receive a special Academy Award from the Academy of Motion Picture Arts and Sciences (AMPAS). At that AMPAS presentation, nationally broadcast by NBC, the television audience was shown a thirteen minute montage of Chaplin film excerpts, which for the purposes of this litigation became known as the Compilation.

By the middle 1970's CBS News had begun to collect materials on Chaplin's life and film excerpts from the few Chaplin films in the public domain, intending to produce an obituary tribute upon Chaplin's death.[4] CBS News personnel requested a license for use of short excerpts from several Chaplin films for which plaintiffs held the copyrights, but plaintiffs refused to license the films. CBS News also requested that AMPAS grant access to the Compilation, but AMPAS was unable to release the films because of union regulations.

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[3] This petition does not seek to disturb the judgment awarding damages for federal and common law copyright infringement. It solely seeks review of the judgment entered on the state law unfair competition claims which should have been preempted.

[4] This task was performed by the Special Events Unit at CBS News, which collects such materials on world figures so that if they should die, an obituary program can be prepared on short notice.

By 1975 plaintiffs had completed a ninety minute Chaplin biography—The Gentleman Tramp—which they then attempted to sell to ABC, Home Box Office ("HBO") and the CBS Entertainment Division [5] for broadcast as a television special. The biography was rejected by each network in turn and by HBO because it was too long, lugubriously paced and not the kind of picture that would succeed on network television.

On December 25, 1977 Chaplin died and CBS News began assembling its obituary tribute for broadcast the following evening at 11:30 p.m. Realizing again the need to exhibit to the public the representative best of Chaplin's work on the occasion of his death, CBS News once more attempted to secure permission from plaintiffs to use excerpts from the Chaplin copyrighted films. They were unable to reach plaintiffs. CBS News thereafter received from NBC a videotape cassette of the 1972 Academy Awards broadcast. During its one half-hour obituary tribute CBS broadcast 9¾ minutes of Chaplin film excerpts, changing the order of some of the excerpts from the manner in which they were presented in the thirteen minute montage known as the Compilation.

Plaintiffs instituted this action claiming that as a result of CBS' infringement of the federal copyrights in the Chaplin films, they had not only suffered lost profits from their exclusive right to exhibit the Chaplin films, but also suffered damages to their derivative works—the Compilation and The Gentleman Tramp. Plaintiffs also claimed that the copyright infringement was wilful, done with actual knowl-

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[5] CBS News was not approached by plaintiffs in this instance, as plaintiffs were attempting to sell The Gentleman Tramp as an entertainment special to the entertainment programming departments of CBS and the other networks. CBS News and CBS Entertainment are separate and distinct operating divisions.

edge of plaintiffs' rights in the Chaplin films and with knowledge that plaintiffs had refused to license the films.

Although plaintiffs' alleged harm could have found redress within the scope of federal copyright law, they proffered two state causes of action to seek additional compensatory and punitive damages. The common law copyright infringement claim is not the subject of CBS' petition to this Court.[6]

Plaintiffs also asserted a state cause of action for unfair competition—the subject of CBS' petition to this Court. Plaintiffs alleged that the CBS News broadcast of the federally copyrighted Chaplin film excerpts which were con-

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[6] Plaintiffs alleged that CBS not only damaged the value of the copyrighted Chaplin films from which the Compilation was made, but also alleged that a common law copyright in the Compilation was simultaneously infringed. This claim was submitted as a separate state common law cause of action for which plaintiffs sought and received compensatory and punitive damages.

Under the 1909 Copyright Act, a work that is "unpublished" normally does not gain copyright protection under federal law but is protected by state common law copyright. Plaintiffs argued that the selection and sequencing of Chaplin films in the Compilation is itself sufficiently artistic to be the subject of common law copyright and that the broadcast of the Compilation at the 1972 Academy Awards was not a publication. Thus, under this thesis, the Compilation has a dual status under federal and state laws: as a derivative work protected by the federal copyright in the Chaplin films the Compilation was protected by the federal copyright laws; as an original unpublished work the Compilation was protected by state common law copyright—but with regard to new matter only, *i.e.*, the "cutting and pasting" activity of plaintiffs.

Section 7 of the 1909 Act reads in pertinent part: "Compilations . . . shall be regarded as new works subject to copyright . . . but the publication of any such [compilation] shall not affect the force or validity of any subsisting copyright upon the matter employed . . . or be construed to imply an exclusive right to such use of the original works, or to secure or extend copyright in such original works." Common law copyright in a compilation does not protect the underlying work—*i.e.*, the federally copyrighted Chaplin films—utilized in the Compilation. 1 *Nimmer on Copyright* § 3.04.

tained in the Compilation injured the marketability of and unfairly competed with The Gentleman Tramp. CBS in its Answer and at trial urged that the state claim for unfair competition was preempted because plaintiffs sought compensation for alleged harm to a derivative work, an infringement claim compensable under federal copyright law.

To plaintiffs' claims that CBS' use infringed its copyrights, CBS responded that its use of only small excerpts from six Chaplin films was a "fair use" and protected by the First Amendment because of a legitimate public need for exposure to the principle reason for Chaplin's place in history—his films—on the evening after his death. At trial the district court instructed the jury to consider harm to the marketability of The Gentleman Tramp, which was federally protected as a derivative work, in determining whether CBS' use was a fair use.[7] The jury determined otherwise and found CBS had infringed the copyrights in the Chaplin films. The jury awarded $7,280 for the statutory infringement and plaintiffs were awarded an additional $5,000 as "in lieu" damages by the district court upon plaintiffs' post-trial application.

The jury found that plaintiffs were legal owners of a common law copyright in the Compilation and awarded only $1 in compensatory damages, as plaintiffs had admitted that the Compilation had no market value. The jury additionally assessed punitive damages of $300,000 against

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[7] In determining whether a defendant's use of copyrighted works without the permission of the owner is to be considered "fair" rather than an infringement, four factors are considered. Under the last and most important factor—the effect of the use upon the potential market for the copyrighted work—the jury in this case weighed harm to the Chaplin films and the derivative works, including The Gentleman Tramp, in considering whether CBS' use was fair. Thus, harm to The Gentleman Tramp was considered by the jury under both the federal count for copyright infringement *and* the state count for unfair competition.

CBS, apparently finding that CBS' manner of acquiring the Chaplin films in the Compilation from NBC was wrongful.

Before the trial judge and on its motion for judgment notwithstanding the verdict, CBS urged that plaintiffs should not be allowed to seek redress for alleged harm to the marketability of The Gentleman Tramp under both federal and state law. CBS pointed out that The Gentleman Tramp was protected by the federal copyright laws both as a derivative work and as an independent federally copyrighted work, that the basis for the state claim was that the Chaplin films were *copied*, and that any compensation granted under state law would exceed the limits of protection afforded by Congress in the Copyright Act. Nevertheless, the state unfair competition claim was submitted to the jury and resulted in a $300,000 compensatory award and an additional $110,000 punitive award.

The Decisions Below

The two courts below, while admitting that the clear indications of federal preemption troubled them, nevertheless managed to evade the preemption doctrine and preserve the jury awards. Both courts relied upon the bad faith manner in which CBS gained access to the federally copyrighted Chaplin films,[8] in essence authorizing a separate

[8] Plaintiffs complained loudly at trial that CBS "deceived" NBC into releasing the Chaplin films upon the representation that the films would be shown on the regular evening news program. Plaintiffs argued to the courts below that the manner in which CBS acquired the films constituted "commercial immorality," and that this distinguished the case from their copyright claim and thus avoided preemption. Infringement, however, includes the element of *access* to the copied work, whether in good faith or bad faith, and thus whether the copying was done "immorally" would make no difference in preemption analysis.

state claim to allow recovery for "wrongful taking of films amounting to commercial immorality," by finding that this defined a non-preempted "distinct offense." The courts below also placed undue emphasis upon the narrow state law protection of the Compilation to the exclusion of considering that the Compilation consisted entirely of federally protected films. The courts thus used the Compilation's state law protection to rule that CBS' unfair competition was based not upon its broadcast of the Chaplin *film clips*, as plaintiffs themselves had argued, but upon CBS' acquisition and broadcast of the *arrangement* of the film clips in the form of the Compilation. Thus did the courts duck the preemption issue.

In this petition CBS raises the serious question of federal preemption by the Copyright Act,[9] an area of law recently described as "in a state of disarray." *Orth-O-Vision, Inc.* v. *Home Box Office*, 474 F. Supp. 672 (S.D.N.Y. 1979). It is urged that CBS' single act of copying federally copyrighted Chaplin films cannot also give rise to a state claim for redress of the same harm compensable under the Copyright Act. CBS believes that the Court of Appeals' decision portends grave consequences for federal copyright policy and urges this Court to grant certiorari.

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[9] The Copyright Act of 1976 became effective January 1, 1978, a few days after this case arose. Although this case is therefore governed by the Act of 1909, the only substantive difference between the 1909 and 1976 Acts relevant to this case is the abolition of common law copyright. With respect to the basis of CBS' petition—federal preemption—the law is for all intents and purposes unchanged, as this Court's preemption decisions applicable under the 1909 Act were codified in the 1976 Act. Other copyright principles pertinent to this case were also carried into the new Act. Thus the issue raised by the decision of the Court of Appeals will have lasting importance, and, we suggest, lasting deleterious effect upon federal policy.

Reasons for Granting the Writ

I.

Review should be granted because the Court of Appeals' decision conflicts with this Court's preemption decisions in *Sears, Compco* and *Goldstein*, and because the decision below offends the purposes of the Copyright Act in allowing recourse to state compensatory and punitive damages for harm redressable under the Copyright Act.

Within the last twenty years this Court has enunciated broad principles of federal preemption in the area of intellectual property. In these decisions the Court has examined whether federal statutes granting inventors and artists limited monopolies for use of their works preempt state laws which create rights for works that do not qualify for federal protection. This Court, however, has never addressed the question whether a copyright owner may sue under federal law for damages from the infringement of federally copyrighted materials and *additionally*, sue under state laws for the manner in which the infringement occurred.

Every indication from this Court's preemption decisions is that plaintiffs may not bring such duplicative causes of action. Every lower court which has faced the issue, other than the Court of Appeals and District Court here, has so held. Petitioner urges that plaintiffs should not be allowed to covet separate federal and state damage provisions for one act of copying. Petitioner also believes that the Court should determine once and for all that acts of copying protected by the federal laws cannot be parlayed into duplicative and conflicting state causes of action.

Under the Supremacy Clause of the Constitution a federal law preempts a state law when the state law "stands

as an obstacle to the accomplishment and execution of the full purposes and objectives of Congress." *Hines* v. *Davidowitz*, 312 U.S. 52, 67 (1941); *Chicago & North Western Transportation Co.* v. *Kalo Brick & Tile Co.*, 450 U.S. 311, 317 (1981). Even in an area where Congress has not completely foreclosed state regulation, a state law "is void to the extent that it actually conflicts with a valid federal statute," looking to the effect, rather than the purpose of the state law. *Ray* v. *Atlantic Richfield Co.*, 435 U.S. 151, 158 (1978); *Jones* v. *Rath Packing Co.*, 430 U.S. 519, 525-26 (1977); *Perez* v. *Campbell*, 402 U.S. 637, 651-52 (1971). These standards are applied to preemption inquiries in the intellectual property area.

In *Sears, Roebuck & Co.* v. *Stiffel Co.*, 376 U.S. 225 (1964) and *Compco Corp.* v. *Day-Brite Lighting, Inc.*, 376 U.S. 234 (1964), this Court determined that state unfair competition law could not be used to redress the copying of an unpatentable lamp design and lighting fixture because to do so would exceed and thereby conflict with the limits of federal patent protection accorded by Congress. In *Goldstein* v. *California*, 412 U.S. 546 (1973), this Court again considered whether state law should be allowed to redress copying of an item not protected, but protectable, under Federal law. In *Goldstein*, the state sought to punish as "record piracy" plaintiff's copying and subsequent sale of phonorecords which were not then subject to copyright. The Court in *Goldstein* distinguished its holdings in *Sears* and *Compco* on the ground that Congress ha[d] "indicated neither that it wishes to protect, nor to free from protection, recordings of musical performances, fixed prior to February 15, 1972." 412 U.S. at 571. The state was thus free to legislate in the vacuum not then occupied by the federal scheme.

The facts of this case present a sharper focus on preemption because, unlike *Sears, Compco* or *Goldstein,* the films copied by CBS *are* protected by federal law. Plaintiffs alleged federal copyright infringement and sued to recover damages to the Chaplin films *and* to The Gentleman Tramp. As a derivative work containing the federally copyrighted Chaplin films, The Gentleman Tramp was protected, with respect to said films, by the Chaplin films copyrights. Yet plaintiffs also alleged and received damages for state law claims, including harm to The Gentleman Tramp, for the very same act of copying these Chaplin films. Plaintiffs' use of state law to exceed federal copyright damage provisions clearly conflicts with the intent and purposes of the federal law.

The philosophy underlying our copyright laws is that through economic incentives, creation and dissemination of intellectual works will flourish:

> The economic philosophy behind the clause empowering Congress to grant patents and copyrights is the conviction that encouragement of individual effort by personal gain is the best way to advance public welfare through the talents of authors and inventors in "Science and useful Arts."

Mazer v. *Stein,* 347 U.S. 201, 219 (1954). Thus, "Authors and Inventors" are granted the exclusive right to exhibit, perform, copy and generally exploit their works for a limited period of time and to keep the economic advantage therefrom. U.S. Const. art. 1, § 8, cl. 8; *see also* H.R. Rep. No. 2222, 60th Cong. 2d Sess. (1909).

Besides protecting the copyright owner's interest in copyrighted works, the Copyright Act also protects the copyright owner's exclusive right to create derivative works based on the copyrighted works. 17 U.S.C. §§ 1, 7 (1909 Act). 17

U.S.C. §§ 1, 3 (1976 Act). A copyright infringer is liable in damages for adversely affecting the value of a derivative work, even where only the original copyrighted work and not the derivative work is directly copied. *Marvin Worth Productions* v. *Superior Films Corp.*, 319 F.Supp. 1269, 1274-75 (S.D.N.Y. 1970), quoting *Nimmer on Copyright*, § 145, pp. 646-47 (1970); *see also Rohauer* v. *Killiam Shows, Inc.*, 379 F.Supp. 723 (S.D.N.Y. 1974), *rev'd on other grounds*, 551 F.2d 484 (2d Cir.), *cert. denied*, 431 U.S. 949 (1977); *Meeropol* v. *Nizer*, 560 F.2d 1061, 1070 (2d Cir. 1977), *cert. denied*, 434 U.S. 1013 (1978).

The federal copyright scheme clearly allows for adequate compensation from infringing activity to ensure continued incentives for individual creation.[10] Congress has, however, also imposed a limit upon recovery for infringement. Recognized federal policy prohibits assessment of punitive damages against an infringer. The objective of the damage provisions of the Copyright Act is "to provide just compensation for the wrong, not to impose a penalty. . . ." *Sheldon* v. *Metro-Goldwyn Pictures Corp.*, 309 U.S. 390, 399 (1940); *L.A. Westermann Co.* v. *Dispatch Printing Co.*, 249 U.S. 100, 108-09 (1919). As Justice Jackson noted in *F.W. Woolworth Co.* v. *Contemporary Arts, Inc.*,

[10] In the Act of 1790, the owner of a map, chart or book could recover fifty cents for infringement, and the owner of a manuscript could sue for "all damages occasioned by such injury." 1 Stat. 124, 1st Cong., 2d Sess., c. 15. To fully compensate the copyright proprietor, the 1909 Copyright Act provides for actual damages incurred by the copyright proprietor as well as profits made by the infringer. In addition, in lieu of actual damages and profits, the copyright owner can recover such damages within maximum and minimum limitations as the court may deem just. 17 U.S.C. § 101(b). *See also, Thomas Wilson & Co.* v. *Irving J. Dorfman Co.*, 433 F.2d 409, 413 (2d Cir. 1970), *cert. denied*, 401 U.S. 977 (1971). The 1976 Copyright Act contains all but the "in lieu" damage provisions, and substitutes "statutory damages" per infringement.

344 U.S. 228, 233 (1952), these statutory damage provisions are ample "effective sanction for enforcement of copyright policy" and are adequately designed "to discourage wrongful conduct". *See* H.R. Rep. No. 94-1476, 94th Cong., 2d Sess. (1976); *Davis* v. *E.I. DuPont de Nemours & Co.*, 249 F. Supp. 329, 341 (S.DN.Y. 1966); 3 *Nimmer on Copyright* § 14.02.

In this action plaintiffs fully exploited the federal statutory remedies available under the Copyright Act. Their claims included infringement of and harm to the copyrighted Chaplin films as well as claims of harm to the marketability of The Gentleman Tramp, their federally protected derivative work. The jury was instructed to assess damages to both the Chaplin films and The Gentleman Tramp as part of the damages awarded under the Copyright Act.[11]

In allowing plaintiffs to assert common law unfair competition the error of the courts below was twofold: *first*, the copying complained of is redressable under the Copyright Act. In this case one act of copying gave rise to both federal and state claims and resulted in federal and state damage awards. This fact was recognized from the District Court level on through the Court of Appeals. At trial, Judge Ward referred to "the claim for unfair competition [as one] based on the use of [federally] protected clips by CBS. . . ." *Second*, plaintiffs were permitted to circumvent the federal policy against a punitive award in a statutory copyright action by their state claim of unfair competition.

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[11] "The plaintiffs' principal request for damages in this case stems from the asserted injury they allege was sustained to the marketability of "The Gentleman Tramp." They seek redress for this damage under their claims of statutory copyright infringement, common law copyright infringement, and unfair competition, primarily the latter two."

On CBS' motion for judgment notwithstanding the verdict, Judge Lasker[12] acknowledged both problems. First he allowed that the copying complained of was redressable under the Copyright Act:

> By allowing compensatory and punitive damages for harm to a derivative work, the law of unfair competition as applied in this case did not provide protection for works which failed to meet the federal standards for copyright protection; to the contrary . . . *[T]he harm to plaintiffs' derivative work [The Gentleman Tramp] was cognizable under the statutory copyright claim.*

503 F. Supp. at 1151 (App. B-47-48) (emphasis added). The District Court then admitted that the unfair competition provision for punitive damages *exceeded* the protection provided by federal law:

> [T]here would be a serious question whether the award of punitive damages, available under the unfair competition claim but not under the statutory copyright claim, provided *greater* protection to copyrighted works than permitted by "the careful balance which Congress [has] drawn" with respect to federally protected works. *Goldstein, supra,* 412 U.S. at 570.

The court nevertheless concluded that the additional state damages—punitive and compensatory—were not preempted because the state claim was "dissimilar" to the federal claim inasmuch as it required proof not only that CBS copied, but that it did so in bad faith. 503 F. Supp. at 1152 (App. B-48-49) (emphasis added).

The notion that a state claim survives because it is *broader* than an *underlying* federal claim is totally incorrect. The

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[12] Judge Ward recused himself from consideration of CBS' post-trial motion, and Judge Lasker decided the motion.

activity sued upon—copying—is one of the exclusive federal rights granted to the copyright owner. The Copyright Act offers full redress to compensate for the infringement. *See, e.g., Orth-O-Vision, Inc.* v. *Home Box Office*, 474 F. Supp. 672 (S.D.N.Y. 1979); H.R. Rep. No. 94-1476, 94th Cong., 2d Sess. 131 (1976);[13] 1 *Nimmer on Copyright* § 1.01[B]. The manner in which the infringement occurred or how the films were acquired, whether in good faith or in bad faith, does not save a state claim based upon copying from federal preemption. *Harper & Row, Publishers, Inc.* v. *Nation Enterprises*, 501 F. Supp. 848, 853 (S.D.N.Y. 1980); *Synercom Technology, Inc.* v. *University Computing Co.*, 474 F. Supp. 37 (N.D.Tex. 1979); *Time Incorporated* v. *Bernard Geis Associates*, 293 F. Supp. 130, 143 (S.D.N.Y. 1968).

Nor does the "bad faith" taking of the derivative Compilation or "commercial immorality" cited by the district court distinguish the unfair competition claim from a federal copyright infringement claim. Access to a copyrighted work, whether by means bad or good, is inherent in proof of copyright infringement. 3 *Nimmer on Copyright* § 13.01[B]. The manner in which copyrighted material is acquired does not define a "distinct offense," as the Court of Appeals ruled, but is in fact subsumed in a copyright infringement action.[14]

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[13] The House Report accompanying the Copyright Act of 1976, which codified the *Sears, Compco* and *Goldstein* line of preemption cases, stated: "The preemption of rights under State law is complete . . . even though the scope of exclusive rights given the work under the [Copyright Act] is narrower than the scope of common-law rights in the work might have been."

[14] Section 504(c)(2) of the Copyright Act of 1976 specifically grants discretion to the district court to increase the statutory damage award upon a finding of wilful infringement. (App. D-69).

Moreover, a key defense to a claim of copyright infringement, the defense of "fair use," can be defeated by findings that defendant's use *harmed the market* for plaintiffs' work or derivative work or that *defendant's conduct in acquiring and copying the copyrighted work was in bad faith. See, e.g., Iowa State University Research Foundation* v. *American Broadcasting Companies, Inc.*, 463 F. Supp. 902 (S.D.N.Y. 1978), *later op.*, 475 F. Supp. 78 (S.D.N.Y. 1979), *aff'd*, 621 F.2d 57 (2d Cir. 1980). Plaintiffs in this case claim that the existence of the above factors supports a separate cause of action for unfair competition. Yet the jury was charged to consider these very same factors under the federal copyright count in its determination of whether CBS' use of the Chaplin clips was a fair use or whether CBS infringed plaintiffs' copyrights.

> In determining whether the defendant made fair use of the copyrighted Chaplin films you should also consider the effect of the use upon the value of any of the plaintiffs' rights in the copyrighted work, including the value of the derivative work, "The Gentleman Tramp," plaintiffs' film biography of Chaplin which made authorized use of clips from the copyrighted Chaplin films. Whether the defendant's television program, the tribute to Chaplin, broadcast the day after his death lessened the value of the Chaplin films and of "The Gentleman Tramp" is something you should consider in making your determination of fair use.
>
> Of course, ladies and gentlemen, fair use presupposes good faith and fair dealing.

In its decision, the Court of Appeals also recognized that the state claim was based upon CBS' copying, an infringing act redressable under federal law:

> It is true that part of the reason CBS' 1977 retrospective was alleged to have undermined the mar-

> ketability of 'The Gentleman Tramp' was that the retrospective invaded the plaintiffs' legal monopoly in the copyrighted Chaplin films, a monopoly they relied upon to distinguish their biography from any competitor's.

Yet the Appellate Court was apparently seduced by the manner in which CBS gained access to the Chaplin films, opining that "the act of taking the Compilation, as an entity apart from the films, defines a distinct offense. . . ." (App. A-21). As the Compilation was protected [in part] by state common law copyright, the Court ruled that "the unfair competition is sufficiently based on the misappropriation of the Compilation, as distinct from the copyrighted films," and held, "the claim is not vulnerable to a [federal] preemption defense." [15] (App. A-22).

The Court of Appeals' ruling brushes under the table the fact that the Compilation was a collection of federally copyrighted films protected by federal law. In fact, the district court's instructions make clear that the jury's finding of unfair competition was based on CBS' use of the federally protected Chaplin films, not upon the Compilation's arrangement of those films. The district court instructed:

> The plaintiffs' third claim is that the defendant is liable to it, that is, to the plaintiffs for unfair competition. The plaintiffs argue that CBS unfairly com-

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[15] Since the Compilation was composed entirely of federally copyrighted films, this conclusion is also in question. At trial, the district judge did not adequately distinguish for the jury the difference between plaintiffs' federal protection in the Chaplin films in the Compilation and state protection in the arrangement of those films. The jury was instructed that if it found that CBS had misappropriated plaintiffs' "independent judgment or creativity" in arranging the films in the Compilation, this was a factor weighing in favor of a finding of *federal* copyright infringement, and against CBS' defense of fair use.

> peted with their film "The Gentlemen Tramp" by producing and broadcasting a program about Charlie Chaplin using their copyrighted film clips which are featured in "The Gentleman Tramp" knowing that the plaintiffs had refused permission because they viewed their own film biography as a competing television program.

Of equal importance is that the harm which plaintiffs sought to redress was to the marketability of a federally protected derivative work—The Gentleman Tramp—and as the Court of Appeals admitted, this interest was fully compensable under the federal statutory scheme.

The Court of Appeals' decision completely failed to take into account the purposes of the Copyright Act and that the way in which the unfair competition claim was used here conflicted with those purposes. The Copyright Act defines exclusive rights in copyright, and principal among these is the right to exhibit for profit in any medium and in any form the work in which copyright is held. Thus, in the case of *Orth-O-Vision* v. *Home Box Office, supra,* the District Court found that a state unfair competition claim was preempted because it was premised upon federal copyright interests, *i.e.*, the lost right to exhibit for a profit. It is exactly this right upon which plaintiffs base both their federal claim for harm to The Gentleman Tramp as a federally protected derivative work *and* their state law claim for harm to The Gentleman Tramp. *See also Harper & Row, Publishers* v. *Nation Enterprises, supra,* 501 F. Supp. at 852.

The rulings of the courts below allowed plaintiffs to sue under several separate theories and to seek several cumulative forms of damages. Not only does the Copyright Act define what exclusive protection authors of copyrighted works may obtain; it also defines the limits of the federal

law. Not only were plaintiffs permitted to recover under the guise of state law for an act regulated by and compensable under a federal statutory scheme, they were permitted an impermissible punitive award. This clearly "clashes with the objectives of the federal [copyright] laws", *Sears, Roebuck & Co.* v. *Stiffel Co., supra,* 376 U.S. at 231.

> [W]hen state law touches upon the area of federal statutes enacted pursuant to constitutional authority, it is "familiar doctrine" that the federal policy "may not be set at naught or its benefits denied" by the state law.

Kewanee Oil Co. v. *Bicron Corp.*, 416 U.S. 470, 479-80 (1974).

II.

Only this Court can resolve the controversy as to whether certain forms of state unfair competition/misappropriation law survive preemption in light of this Court's decisions in *Sears, Compco* and *Goldstein* as they have been codified in the 1976 Copyright Act.

Plaintiffs allege that by "misappropriating" the Chaplin films contained in the Compilation, CBS unfairly competed with The Gentleman Tramp. In the almost twenty years since the *Sears* and *Compco* decisions, lower federal courts, commentators and Congress have debated whether certain forms of state misappropriation law conflict with the federal copyright laws and whether certain forms survive preemption. In its decisions in *Sears* and *Compco,* this Court foreshadowed a distinction between those state unfair competition claims which survive preemption and those which do not. Justice Black noted:

> Doubtless a State may, in appropriate circumstances, require that goods . . . be labeled or that other

> precautionary steps be taken to prevent customers from being misled as to the source, just as it may protect businesses in the use of their trademarks, labels or distinctive dress in the packaging of goods so as to prevent others, by imitating such markings from misleading purchasers as to the source of the goods. 376 U.S. at 232.
>
> [The] state of course has power to impose liability upon those who . . . deceive the public by palming off their copies as the original. 376 U.S. at 238.

Thus the Court acknowledged that where federal protection is wanting in a unique area, the state may step in to protect those unique interests. The statements of Justice Black, and Justice Harlan, concurring, 376 U.S. at 239, have been interpreted by the lower courts to mandate preemption of misappropriation claims, since these claims are in fact based on copying activity redressable under the Copyright Act, unless the claim protects the unique interest against "palming off" or false designation of origin.[16]

The misappropriation doctrine originated with this Court's decision in *International News Service* v. *Associated Press*, 248 U.S. 215 (1918). The Court affirmed an order which barred INS from circulating news releases taken from AP's bulletin boards and early editions of AP member newspapers, but rejected AP's claim of copyright infringement: the news as such is not copyrightable and AP's copyrights in its publications did not protect the information contained therein. The Court therefore turned to the theory

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[16] Those misappropriation claims which survive preemption involve copying of subject matters not protected by federal copyright law. *See, e.g., Stigwood Group, Ltd.* v. *Sperber*, 457 F.2d 50, 56 (2d Cir. 1972); *F.E.L. Publications, Ltd.* v. *National Conference of Catholic Bishops*, 466 F. Supp. 1034 (E.D. Ill. 1978).

of misappropriation to find relief for AP.[17] Misappropriation was created to fill in the gap left when this uncopyrightable property (news) had been misappropriated and passed off as a competitor's product.

The Court of Appeals decision in this case, however, perverts the INS rationale by allowing a state misappropriation claim to be applied to a work—The Gentleman Tramp —which not only is federally copyrighted, but which is also protected by the copyright laws as a derivative work containing the federally copyrighted Chaplin films.

Although the Court of Appeals failed to hold preempted plaintiffs' claim for unfair competition/misappropriation, on facts similar to these, all other courts have found preemption. These courts have followed the guidelines of Justices Black and Harlan in *Sears-Compco*, 376 U.S. at 232, 238, 239, and found preempted any state unfair competition claim based upon copying which does not contain an allegation of palming off or false designation of origin. The Court of Appeals' decision in this case conflicts not only with a decision by the Ninth Circuit, *Cable Vision, Inc.* v. *KUTV, Inc.*, 335 F.2d 348, 351 (9th Cir. 1964), *cert. denied*, 379 U.S. 989 (1965) (State claim for cable television station's unauthorized use of television signal preempted under *Sears-Compco*), but it even conflicts with

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[17] A number of law review commentators have criticized the Court for not yet repudiating the INS misappropriation doctrine, and at least one lower court considered INS to have been overruled by implication in *Sears* and *Compco*. *See, e.g., Columbia Broadcasting System, Inc.* v. *DeCosta*, 377 F.2d 315 (1st Cir.), *cert. denied*, 389 U.S. 1007 (1967); Fetter, "Copyright Revision and the Preemption of State 'Misappropriation Law' ", 25 *Bull. Copr. Soc.* 367 (1978); Goldstein, "Federal System Ordering of the Copyright Interest," 69 Colum. L. Rev. 49, 64 (1969). One commentator suggests that the INS misappropriation doctrine survives preemption only if limited to its facts—protection of noncopyrightable works, such as the news. 1 *Nimmer on Copyright* § 1.01[B] n. 102.

the other pronouncements of the Second Circuit on the same subject. *See Riback Enterprises, Inc.* v. *Denham*, 452 F.2d 845, 848-49 (2d Cir. 1971); *Puddu* v. *Buonamici Statuary, Inc.*, 450 F.2d 401, 402 n.1 (2d Cir. 1971) ("[T]he unfair competition claims must fail under *Sears* and *Compco* since the plaintiffs did not press a claim based on confusing labelling but only one based on copying."); *Durham Industries, Inc.* v. *Tomy Corp.*, 630 F.2d 905, 918-19 (2d Cir. 1980).

Furthermore, every federal district court which has considered the issue has barred state claims arising from activity redressable under the federal copyright laws which lacked elements of palming off or false designation of origin. *See, e.g., Mitchell* v. *Penton/Industrial Publishing Co.*, 486 F.Supp. 22 (N.D. Ohio 1979); *Synercom Technology, Inc.* v. *University Computing Co.*, 474 F.Supp. 37 (N.D. Tex. 1979); *Ortho-O-Vision, Inc.* v. *Home Box Office*, 474 F. Supp. 672 (S.D.N.Y. 1979); *Suid* v. *Newsweek Magazine*, 503 F. Supp. 146 (D.D.C. 1980); *Triangle Publications, Inc.* v. *Sports Eye, Inc.*, 415 F.Supp. 682 (E.D. Pa. 1976).

The significance of CBS' claims goes far beyond the limited future of the 1909 Copyright Act. Misappropriation of copyrighted works will be alleged repeatedly in the lower courts under the 1976 Copyright Act if the Supreme Court does not take this opportunity to review the issue.

Section 301 of the 1976 Copyright Act states that "all legal or equitable rights that are equivalent to any of the exclusive rights within the general scope of copyright" are preempted. The legislative history of this section is worthy of brief review. A committee report accompanying a draft of the Act stated that "where the cause of action involves the form of 'unfair competition' commonly referred to as *misappropriation, which is nothing more than copyright pro-*

tection under another name, section 301 is intended to have preemptive effect". S. Rep. No. 93-983, 93rd Cong., 2d Sess. 167 (1974) (emphasis added). Congress later considered specifically preserving certain forms of misappropriation from preemption by the Copyright Act, such as "palming off" another's goods as one's own and false designation of origin.[18] S. Rep. No. 94-473, 94th Cong., 1st Sess. 166 (1975). A letter from the Justice Department critical of this Court's decision in *International News Service* v. *Associated Press,* 248 U.S. 215 (1918), however, convinced Congress to delete from the Act specific references to misappropriation and thus the Act's preemption section was passed in the broad form quoted above.

Although the 1976 Act did not become effective until a few days after CBS' broadcast of the Chaplin obituary, Congress' purpose in enacting Section 301 was to codify the federal principles expressed by this Court in the *Sears, Compco* and *Goldstein* cases. H.R. Rep. No. 94-1476, 94th Cong., 2d Sess. 130-33 (1976); 1 *Nimmer on Copyright* § 1.01[B] n.22. Several district courts have already determined that state claims for unfair competition arising from the broadcast of copyrighted works are preempted under the terms of Section 301 as they continue the *Sears-Compco* doctrine. In *Ortho-O-Vision, Inc.* v. *Home Box Office, supra,* 474 F.Supp. at 684, the District Court determined that misappropriation of a television signal was an act equivalent to infringement of copyright, noting the clear

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[18] Testifying before a House Subcommittee, a representative from the Department of Commerce referred to a clear case of preemption, as shown in the instant case: "Obviously, the 'misappropriation' of all the words of a literary work would be in the nature of copyright, and State laws in this area would be preempted." *Copyright Law Revision: Hearings on H.R. 2223 Before the Subcommittee on Courts of the House Committee on the Judiciary,* 1st Sess. 169 (statement of Rene D. Tegtmeyer).

conflict in allowing assertion of duplicative causes of action under both federal and state schemes. "The misappropriation of which HBO complains is the lost right to exhibit for a profit the audiovisual works that comprise its programming. . . . In the context of this case 'misappropriation' consists simply of acts of public performance." [19]

In reviewing this case, this Court can answer the recurring question of which rights of state unfair competition/misappropriation law survive the preemptive force of *Sears-Compco-Goldstein* and Section 301 of the new Copyright Act. The state law doctrine of misappropriation has been "beclouded" by this Court's decisions in *Sears-Compco, see, e.g., Latman, The Law of Copyright* at 68, and the issue will continue to be raised in the lower courts, especially with the added resulting confusion from the Court of Appeals' maverick opinion in the instant case.

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[19] Although *Orth-O-Vision* applied Section 301 of the Copyright Act of 1976, the court's analysis contains a comprehensive statement of the law of preemption under *Sears-Compco,* as it is carried into the 1976 Act. 474 F. Supp. at 683-84, nn.11, 12.

Conclusion

For the foregoing reasons, the petition for a writ of certiorari should be granted.

Respectfully submitted,

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APPENDIX A

Opinion of the Court of Appeals

UNITED STATES COURT OF APPEALS

FOR THE SECOND CIRCUIT

No. 13—August Term, 1981

Argued: September 21, 1981 Decided: March 4, 1982

Docket No. 81-7027

ROY EXPORT COMPANY ESTABLISHMENT OF VADUZ, LIECHTENSTEIN, et al.,

Plaintiffs-Appellees-Cross-Appellants,

v.

COLUMBIA BROADCASTING SYSTEM, INC.,

Defendant-Appellant-Cross-Appellee.

Before:

NEWMAN and KEARSE,
Circuit Judges, and
DALY,*
District Judge.

Appeal from a judgment of the District Court for the Southern District of New York (Morris E. Lasker, Judge), awarding plaintiffs compensatory and punitive damages for statutory and common-law copyright infringement and unfair competition.

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* The Honorable T. F. Gilroy Daly of the United States District Court for the District of Connecticut, sitting by designation.

Judgment affirmed.

CARLETON G. ELDRIDGE, JR., New York, N.Y. (JUNE A. EICHBAUM, JOHN J. KEENE, III, PETER M. NELSON, RONALD E. GUTTMAN, and COUDERT BROTHERS, New York, N.Y., on the brief), for appellant.

STUART ROBINOWITZ, New York, N.Y. (STEVEN B. ROSENFELD, MARY B. SEYFERTH, HOWARD A. SMITH, and PAUL, WEISS, RIFKIND, WHARTON & GARRISON, New York, N.Y., on the brief), for appellees.

NEWMAN, Circuit Judge:

Although the 1976 Copyright Act, 17 U.S.C. app. §§ 101-810 (1976), prospectively ended the era of common-law copyright as of January 1, 1978,[1] troublesome questions will continue to arise for some time concerning the availability of pre-1978 common law protection for intellectual property.[2] Some of those questions are among the issues presented by this appeal from a judgment of the District Court for the Southern District of New York, awarding compensatory and punitive damages to plaintiffs-

[1] The 1976 Act took effect on January 1, 1978. Pub. L. No. 94-553, § 102, 90 Stat. 2598 (1976). The event occasioning this suit occurred a few days before, on December 26, 1977. For most purposes the new Act eliminates the prior distinction between common-law and statutory copyright.

[2] The questions will concern not only allegations of pre-1978 infringement of common-law rights, like those presented in this case, but, more significantly, challenges to statutory copyrights, subsisting well into the future, on the ground that the work lost its common-law copyright prior to January 1, 1978, entered the public domain, and was therefore not eligible for statutory copyright. *See* 1 M. Nimmer, *Nimmer on Copyright* § 4.01 [B] (hereafter "*Nimmer*").

appellees Roy Export Co. and others [3] for statutory and common-law copyright infringement and unfair competition by defendant-appellant Columbia Broadcasting Systems, Inc. (CBS). The underlying action arose from CBS's 1977 network television broadcast of a film biography of Charlie Chaplin, which included a collection of film clips from six of Chaplin's motion pictures in which the plaintiffs hold exclusive rights.[4] On appeal, CBS primarily attacks the bases of those claims against it that are grounded in state law, arguing that the plaintiffs had no common-law copyright in any of the works at issue and that the plaintiffs' tort claim for unfair competition was preempted by the federal copyright statute. CBS also argues that the damages award was excessive and duplicative and that, in any event, its conduct was protected by the First Amendment. We reject all of these contentions and affirm the judgment of the District Court.

To understand the relationship among the several works involved in this controversy, it is necessary to trace the history of the parties' competing efforts to create a film memorial to Charlie Chaplin. In 1972, the Academy of Motion Picture Arts and Sciences ("AMPAS"), asked Bert Schneider, who along with Mo Rothman acted as the plaintiffs' representative in all matters relevant to this case, to supervise the making of a tribute to Chaplin, in the form of highlights from his motion pictures, to be shown in connection with a proposed appearance by Chaplin at the 1972 Academy Awards ceremony. Schneider in turn secured the services of director Peter Bogdanovich and, through

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[3] Roy Export owns the copyrights in several Charlie Chaplin films. The other plaintiffs hold distribution rights and television, theatrical, and non-theatrical rights.

[4] The six films are "The Kid," "The Gold Rush," "The Circus," "City Lights," "Modern Times," and "The Great Dictator."

Bogdanovich, of film editor Richard Patterson. Schneider, Bogdanovich, and Patterson then selected and edited a series of classic scenes from Chaplin's movies, planned the sequence and timing of the scenes, and produced the "Compilation," [5] a thirteen-minute film montage of the master's greatest hits. The Compilation was televised nationally by NBC as part of the 1972 Academy Awards, at which Chaplin received a special award. It was understood that AMPAS's right to use the Compilation was strictly limited to that one-time showing, and the plaintiffs have not authorized the showing of the Compilation since that date.

In 1973, CBS began work on a retrospective of Chaplin's life, intended for use as a film obituary when Chaplin died. CBS soon learned, however, that the plaintiffs held all rights in the films involved here and that, despite repeated requests, plaintiffs would not grant CBS permission to use the films. The plaintiffs explained their refusal by informing CBS that they had begun production of their own "definitive" Chaplin biography, "The Gentleman Tramp," and therefore would not relinquish their copyright advantage. Rebuffed, CBS prepared a "rough cut" of a Chaplin biography, consisting primarily of public domain footage. The plaintiffs meanwhile completed work on "The Gentleman Tramp," which included some of the same film segments collected in the Compilation but did not use the Compilation itself. The plaintiffs planned to license "The

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[5] While the parties refer to the work as "the Compilation," for copyright law purposes it is more precisely a "collective work," since its components, excerpts from copyrighted films, are "independent works in themselves," 17 U.S.C. app. § 101 (1976), whereas "compilation" is a broader term that refers to assemblages of materials that may or may not be copyrightable, *see ibid.*; 1 *Nimmer* § 3.02, at 3-5, and therefore includes "collective works."

Gentleman Tramp" to theaters abroad and to television networks in the United States. Twice during 1976 and 1977, in fact, the plaintiffs attempted to sell CBS such a license. CBS did not purchase the license, content for the time being with its "rough cut."

Charlie Chaplin died on December 25, 1977. Although CBS had its "rough cut" biography ready for showing, the network elected not to use it, preferring instead to use a copy of the Compilation obtained from NBC. NBC had kept a videotape of the Compilation from its 1972 telecast of the Academy Awards and had provided CBS News with a copy of the videotape on the assurance that CBS would show only brief portions of the excerpted films and only on its regular nightly news program. The copy, however, appears to have found its way to Russell Bensley, director of the CBS Special Events Unit. Although Bensley knew of the plaintiffs' repeated refusals to grant CBS permission to use excerpts from the copyrighted films, and although Bensley was unable to reach Schneider or Rothman to make an eleventh-hour plea for reconsideration, CBS decided to put together a new version of a Chaplin biography, incorporating, with minor editing, the Compilation obtained from NBC. The newer version, heavily dependent on what CBS knew to be copyrighted material, was broadcast on December 26, 1977, in preference to the legally less vulnerable "rough cut."

The broadcast occasioned the plaintiffs' damage suit. They claimed (1) that the broadcast's use of the Chaplin film clips infringed their statutory copyrights in the films, (2) that the use of the clips in the particular form of the Compilation infringed a common-law copyright in the Compilation itself as an unpublished independent creation, and (3) that the broadcast competed unfairly with the plaintiffs' own Chaplin retrospective, "The Gentleman

Tramp," whose marketability the plaintiffs had intended to protect with their copyrights in its constituent material. After a trial in September and October of 1979 before Judge Robert J. Ward in the Southern District of New York, the jury found CBS liable to the plaintiffs for $307,281 compensatory and $410,000 punitive damages.[6] CBS's post-trial motions were denied in a comprehensive opinion by Judge Morris E. Lasker,[7] who also granted the plaintiffs' cross-motion for an additional award of statutory damages in the amount of $5,000. *Roy Export Co.* v. *CBS*, 503 F. Supp. 1137 (S.D.N.Y. 1980). This appeal followed.

A. The First Amendment

CBS first asserts a generalized First Amendment privilege as a bar to the plaintiffs' claims, arguing that a right to report newsworthy events such as Chaplin's death shields it from liability. CBS points out that the principal reason for Chaplin's fame is to be found in his films, and argues that it is therefore meaningless to attempt a full account of his life without making some use of the very things that make that life worth remembering. CBS claims a limited right to use the "gems" of Chaplin's motion pictures—specifically, those film clips collected in the Compilation—in order adequately to memorialize him at his death. In addition, CBS claims a similar right to use the particular

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[6] Of the compensatory total, $7,280 was for statutory copyright infringement, $1 was for common-law copyright infringement, and $300,000 was for unfair competition. The punitive damages were divided between the common-law claims: $300,000 for common-law copyright infringement and $110,000 for unfair competition.

[7] Judge Ward recused himself after the trial pursuant to 28 U.S.C. § 455 (1976).

form in which it broadcast the clips, *i.e.*, the Compilation, instead of simply showing independently excerpted film segments. In CBS's view, the 1972 Academy Awards ceremony, at which the Compilation received its single public showing, was an "irreducible single news event" to which the showing of the Compilation was integral. The significance of the ceremony, CBS contends, was not simply that Chaplin appeared after a twenty-year exile provoked by Senator McCarthy's investigations, but that a collection of his work was shown, thereby bringing home to the American people both what they had been deprived of by McCarthyism and how ludicrous had been the attempt to find subversive political innuendo in Chaplin's films. CBS concludes that the plaintiffs' claims for infringement of the copyrights in the films and the Compilation must give way to an asserted First Amendment news-reporting privilege.

CBS's arguments are unpersuasive. It rests its theory on Professor Nimmer's hypothesis that someday, on some facts, there might be such an inseparability of an idea and the form of its expression that protecting free dissemination of the one would necessarily entail subordinating copyright in the other. *See* 1 M. Nimmer, *Nimmer on Copyright* § 1.10[C][2] (1981) (hereafter "*Nimmer*,"). Professor Nimmer suggests that the Vietnam War photographs of the My Lai massacre, or the Zapruder film of the Kennedy assassination,[8] might be among the rare instances in which

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[8] The unauthorized use of the Zapruder film was at issue in *Time Inc.* v. *Bernard Geis Associates*, 293 F. Supp. 130 (S.D.N.Y. 1968). The suit alleged infringement of the copyright in the film, and the District Court granted summary judgment for the defendants; the court rested its decision on the "fair use" exception, however, not on the First Amendment. Professor Nimmer finds the fair use rationale unpersuasive on the facts of the case and sees in it an unarticulated First Amendment holding. 1 *Nimmer* § 1.10[D], at 1-86 to -87.

"the visual impact of a graphic work made a unique contribution to an enlightened democratic dialogue," *id.* at 1-82-to -83, rendering the news photograph itself essential for understanding the event, and therefore precluding copyright protections.

No Circuit that has considered the question, however, has ever held that the First Amendment provides a privilege in the copyright field distinct from the accommodation embodied in the "fair use" doctrine.[9] *See, e.g., Dallas Cowboys Cheerleaders, Inc.* v. *Scoreboard Posters, Inc.*, 600 F.2d 1184, 1188 (5th Cir. 1979); *Walt Disney Productions* v. *Air Pirates*, 581 F.2d 751, 758-59 (9th Cir. 1978), *cert. denied*, 439 U.S. 1132 (1979); *Wainright Securities, Inc.* v. *Wall Street Transcript Corp.*, 558 F.2d 91, 95 (2d Cir. 1977), *cert. denied*, 434 U.S. 1014 (1978).[10] In this

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[9] Fair use balances the public interest in the free flow of ideas and information with the copyright holder's interest in exclusive proprietary control of his work. It permits use of the copyrighted matter "in a reasonable manner without [the copyright owner's] consent, notwithstanding the monopoly granted to the owner." *Rosemont Enterprises, Inc.* v. *Random House, Inc.*, 366 F.2d 303, 306 (2d Cir. 1966), *cert. denied*, 385 U.S. 1009 (1967) (quoting Ball, *The Law of Copyright and Literary Property* 260 (1944)). In the District Court, CBS raised a fair use defense to the statutory copyright infringement claim, and Judge Lasker, after a comprehensive inquiry, concluded that the evidence supported the jury in its finding that CBS's use was not fair. *Roy Export Co.* v. *Columbia Broadcasting System, Inc.*, 503 F. Supp. 1137, 1143-47 (S.D.N.Y. 1980).

[10] CBS cites only one District Court opinion, *Triangle Publications, Inc.* v. *Knight-Ridder Newspapers, Inc.*, 445 F. Supp. 875 (S.D. Fla. 1978), *aff'd on other grounds*, 626 F.2d 1171 (5th Cir. 1980), where a constitutional privilege has been found in the absence of fair use. In *Triangle*, the District Court held that the fair use doctrine did not protect the defendant's use of a photograph of *TV Guide's* cover in comparative advertisements, but that the First Amendment nonetheless prevented the issuance of an injunction to stop it. That case is alone in its holding and is not even the law of the Fifth Circuit: the affirmance found that the use made of the cover *was* fair, and did not reach the First Amendment issue.

Circuit, while we have acknowledged in passing the conceivable occurrence of some "rare," "almost unique" circumstance, such as those surrounding the Zapruder film, in which "it is at least arguable that the informational value of [the] film cannot be separated from the photographer's expression, . . . thereby indicating that both should be in the public domain," *Iowa State University Research Foundation, Inc.* v. *American Broadcasting Cos.*, 621 F.2d 57, 61 n.6 (2d Cir. 1980), we have also stated the general rule that "[c]onflicts between interests protected by the first amendment and the copyright laws thus far have been resolved by application of the fair use doctrine," *Wainright Securities, Inc.* v. *Wall Street Transcript Corp., supra,* 558 F.2d at 95.

Moreover, even if we were inclined to recognize some narrow exception on extraordinary facts, we would still conclude that the facts in this case could not support the invention or application of even a limited privilege.[11] The showing of copyrighted films was not essential to CBS's news report of Charlie Chaplin's death or to its assessment of his place in history; public domain films were available for the purpose, and the public is already generally familiar with his work. Nor was the showing of the Compilation essential to a report on the 1972 Academy Awards ceremony. As Judge Lasker noted in his opinion in the District Court, "The audiovisual news event, if there was one, was Chaplin's appearance, not the showing of his work, and certainly not the precise artistic means through which his films were showcased (the Compilation)." 503 F. Supp. at 1148. That the films and the Compilation have historic

[11] We therefore need not consider whether the remedy, in the event of First Amendment protection, would be free use of copyrighted material or a compulsory license at a reasonable royalty.

significance incidental to the events of Charlie Chaplin's life does not place them in the public domain. We conclude on the facts of this case that CBS's effort to secure a First Amendment news-reporting exception to the copyright laws cannot succeed.

B. Common-Law Copyright

CBS next contends that the plaintiffs cannot sue for infringement of a common-law copyright in the Compilation because events have terminated the existence of such a common-law right. The contention arises from the fact that AMPAS affixed a copyright notice in its name to the entire telecast of the 1972 Academy Awards ceremony, during which the Compilation was publicly aired pursuant to AMPAS' one-time-only license. CBS explicitly argues that AMPAS thereby acquired a statutory copyright in the entire show, including the Compilation; its argument implies that if AMPAS does not have a statutory copyright, then either the *plaintiffs* have a statutory copyright, or the Compilation is in the public domain.[12] Any of these theories

[12] CBS also argues that AMPAS commissioned the Compilation and therefore holds all rights in it, or if not, that Schneider, Bogdanovich, and Patterson jointly own the Compilation because they created it. These arguments are insubstantial, and Judge Lasker properly rejected them. As to the first argument, although AMPAS originally suggested the idea of creating the Compilation, paid Patterson for his work, and bore production costs, Judge Lasker correctly pointed out that AMPAS exercised no artistic control over the making of the Compilation, that the plaintiffs received no payment for the use of the Chaplin films and gave AMPAS a license to show the Compilation, and that the parties clearly intended to place ownership of the Compilation in the plaintiffs' hands. 503 F. Supp. at 1149-50. All of these factors are inconsistent with a commission relationship. The second argument is even less supportable: Schneider worked for the plaintiffs, as their representative, Bogdanovich worked for free, as a favor to Schneider, and Patterson worked at Bogdanovich's request. Nothing in the record suggests that any of those involved in making the Compilation supposed that the result belonged to anyone but the corporate plaintiffs.

would defeat the plaintiffs' claim of common-law rights in the Compilation. Assessing them requires brief exploration of copyright law prior to the 1976 Act.

The 1909 Copyright Act protects eligible works that are "published" with a copyright notice, 17 U.S.C. § 10 (1976); section 2 of the Act specifically excepts from coverage (and from preemption) the common-law right of an author of an "unpublished" work. 17 U.S.C. § 2. Thus, under the statutory scheme, "publication" generally determines whether state or federal law is the source of any available copyright protection. State law protection begins with a work's creation and continues until the work is "published," at which point state protection is lost. The owner secures federal protection by complying with the requirements of the 1909 Act; if he does not, his published work is in the public domain.[13]

Ascertaining whether publication has occurred, however, is not a simple task. The difficulty arises not only from the normal variety of rulings that are to be expected when courts endeavor to apply an imprecise concept to diverse factual patterns. In addition, and pertinent to our case, is the difficulty arising from the fact that some courts have used "publication" in two different senses, applying different standards depending on the consequences of finding a publication. *See Hirshon* v. *United Artists Corp.*, 243 F.2d 640, 644-45 (D.C. Cir. 1957); *American Visuals Corp.* v. *Hol-*

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[13] A related, but distinct, principle is that a single work cannot be protected from copying under both federal and state law at the same time: the beginning of federal protection marks the end of state protection, even if publication has not occurred. Section 11 of the 1909 Act, 17 U.S.C. § 12 (1976), permits an author of certain limited categories of unpublished works to secure a federal copyright by registration and deposit. Such "section 12" registration extinguishes common-law rights. *Photo Drama Motion Picture Co.* v. *Social Uplift Film Corp.*, 220 F. 448, 450 (2d Cir. 1915).

land, 239 F.2d 740, 743-44 (2d Cir. 1956). Frequently, when courts speak of "publication," they mean a distribution or other occurrence that has the consequence of leaving an author with no copyright protection: the publication divests him of his common-law copyright, and he secures no statutory protection because he has not affixed a statutory notice in his name. *See, e.g., White* v. *Kimmel*, 193 F.2d 744, 746-47 (9th Cir.), *cert. denied*, 343 U.S. 957 (1952); *National Comics Publications, Inc.* v. *Fawcett Publications, Inc.*, 191 F.2d 594, 598 (2d Cir. 1951). When such a "divestive" publication occurs, the author's work enters the public domain. In other circumstances, however, courts use "publication" to mean a distribution sufficient to gain statutory protection for the author who has affixed statutory notice to a copy of his work. *See, e.g., Technicon Medical Information Systems Corp.* v. *Green Bay Packaging, Inc.*, No. 78-C-363 (E.D. Wis. Sept. 9, 1980); *Cardinal Film Corp.* v. *Beck*, 248 F. 368 (S.D.N.Y. 1918). When such an "investive" publication occurs, the author has simply replaced his common-law protection with statutory protection. When courts are confronted with ascertaining whether publication has occurred, they sometimes insist upon a more extensive factual basis for finding a "divestive" publication than they might have required for finding an "investive" publication.[14] *See American Visuals Corp.* v. *Holland*, *supra*, 239 F.2d at 743; 1 *Nimmer* § 4.13[C]. The use of a higher standard for "divestive" publication carries out the policy of the copyright laws to safeguard an author's rights in his works against both piracy and unwitting forfeiture.

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[14] Though the cases contain much talk of publication occurring upon the sale of a "single copy," *e.g.*, *Bobbs-Merrill Co.* v. *Straus*, 147 F. 15, 19 (2d Cir. 1906), *aff'd*, 210 U.S. 339 (1908), such statements express the thought that *availability* for public sale constitutes publication, even if actual sales are minimal.

The issue of "publication" takes on a further complexity when an author's unpublished work is included as one component of a collective work. Normally, publication of a collective work is also a publication of its preexisting component works. *See* 1 *Nimmer* § 4.12, at 4-57 n.1.[15] As Professor Nimmer has noted, however, "[T]here is surprisingly little case authority on the question," *id.* at 4-57. Moreover, what case law there is applies the general principle in contexts where the fact of publication was relatively clear: a "divestive" publication had occurred requiring that common-law copyright be sacrificed whether or not the owner would simultaneously be invested with a statutory copyright. If, by contrast, the publication of the collective work is sufficient only to be deemed "investive," then the status of the unpublished component is less certain. Perhaps this is why Professor Nimmer says only that publication of a collective work prior to the effective date of the current Copyright Act "might" divest rights in an underlying work previously protected by common-law copyright. *Id.* § 3.04, at 3-12 n.3.

The uncertainty exists because when an event is adequate to be "investive" but not "divestive," the distinction implies that the single event may constitute publication as to some works or some parties but not as to others, depending on the legal consequences of the determination. If all copyright in a work will be lost, the particular event might not be a publication as to that work; if one copyright will simply be exchanged for another, the same event can safely be labeled a publication for the purpose of acquiring the statutory right. As a result, especially when the proprietor of the component

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[15] The inverse is presumably also true: an event insufficient to constitute publication of the whole is insufficient to constitute publication of the parts.

is not the same as the proprietor of the collective work, the legal statuses of the collective work and its preexisting components are potentially independent: if there will be different effects on the rights of different proprietors, an event sufficient to be "investive" but not "divestive" may be deemed a publication as to the collective work but not as to the component.

In this case, it is clear that the 1972 Academy Awards telecast was a collective work that included among its components the Compilation (just as the Compilation was itself a collective work made up of excerpts from the Chaplin films). CBS contends that the 1972 telecast, with AMPAS's copyright notice affixed, was an "investing publication," Appellant's Brief at 27, by which AMPAS became "*invested* with legal ownership of a statutory copyright in all parts of the broadcast," Appellant's Reply Brief at 13, and after which "any alleged common law copyright in the Compilation terminated," *ibid.* The plaintiffs respond that a telecast is a performance and therefore not a publication, and that, even if the telecast was a publication, it would not affect the plaintiffs' common-law rights in the Compilation. If *AMPAS* were pursuing a claim under the federal statute for some infringement of its rights in the entire Awards telecast, it is possible that we would find that the showing, with AMPAS's affixation of notice, was enough of a publication to invest AMPAS with a statutory copyright in the telecast.[16] Because

[16] There are factual circumstances that might render inapplicable the normal rule that a telecast is only a performance. Presumably the 1972 program was simultaneously videotaped, *see* 1 *Nimmer* § 1.08[C], at 1-51, since CBS physically obtained the Compilation from NBC's tape of the 1972 program. We are not informed, however, whether any "distribution" of such a copy, by coaxial cable or otherwise, sufficient to constitute a publication, occurred in connection with the telecasting of the 1972 Awards ceremony. *See id.* § 4.11[B], at 4-56.

of that possibility, we will assume that the 1972 telecast with copyright notice affixed was an "investing" publication as to AMPAS. We therefore face CBS's arguments concerning the effect of that publication upon the plaintiffs' common-law copyright in the Compilation.

The possibility that AMPAS acquired a statutory copyright in the Compilation may be readily rejected. It is axiomatic that copyright is a protection for an *original* work. *See* 1 *Nimmer* § 2.01. Without an assignment from the proprietor of a component, the compiler of a collective work cannot secure copyright protection for preexisting components that he did not create; protection is availabile only for that part of his product that is original with him—for what he has added to the component works, or for his skill and creativity in selecting and assembling an original arrangement of those works, even if no new material is added. *See* 17 U.S.C. §27 (1976);[17] *Durham Industries, Inc.* v.

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[17] Section 7 provides that "[c]ompilations . . . shall be regarded as new works subject to copyright under the provisions of this title; but the publication of any such new [collective or derivative] works shall not affect the force or validity of any subsisting copyright upon the matter employed." The 1976 Act is even more explicit about the relationship between a collective work and its underlying components:

> The copyright in a compilation or derivative work extends only to the material contributed by the author of such work, as distinguished from the preexisting material employed in the work, and does not imply any exclusive right in the preexisting material. The copyright in such work is independent of, and does not affect or enlarge the scope, duration, ownership, or subsistence of, any copyright protection in the preexisting material.

17 U.S.C. app. § 103(b) (1976). The House Report makes clear that this section is intended to clarify an already existing, if not always understood, aspect of the 1909 Act:

(footnote continued on following page)

Tomy Corp., 630 F.2d 905, 909 (2d Cir. 1980); *Mills Music, Inc.* v. *Cromwell Music, Inc.*, 126 F. Supp. 54, 65 (S.D.N.Y. 1954); 1 *Nimmer* § 3.03. For example, when the plaintiffs created the Compilation, they became eligible for copyright protection (common-law or statutory) because the Compilation is an original creative work, distinct from the films on which it draws. But AMPAS made no creative contribution to the Compilation. Without any assignment from the plaintiffs of proprietary rights in the Compilation, the statutory rights AMPAS may have acquired in the telecast can extend only to its original contribution to that collective work, not to the preexisting Compilation. *See Gilliam* v. *American Broadcasting Cos.*, 538 F.2d 14, 19-20 (2d Cir. 1976).[18]

(footnote continued from preceding page)

> Section 103(b) is also intended to define, more sharply and clearly than does section 7 of the present law, the important interrelationship and correlation between protection of preexisting and of "new" material in a particular work. The most important point here is one that is commonly misunderstood today: copyright in a "new version" covers only the material added by the later author, and has no effect one way or the other on the copyright or public domain status of the preexisting material.

H.R. Rep. No. 1476, 94th Cong., 2d Sess. 57, reprinted in [1976] U.S. Code Cong. & Ad. News 5659, 5670.

Section 7 of the 1909 Act (and the stronger corresponding language in section 103(b) of the 1976 Act) does not necessarily cause AMPAS's copyright notice to have no effect on the "force or validity" of the plaintiffs' common-law copyright. First, despite the language of section 7, a "divestive" publication by definition affects the validity of an underlying common-law copyright: it extinguishes it. Second, as we have noted, there is some question about what sort of "publication," if any, was involved in AMPAS's 1972 telecast.

[18] *Gilliam* concerned an infringement claim by the members of the writing and performing group "Monty Python" with respect to a

(footnote continued on following page)

The possibility that the 1972 telecast placed the Compilation in the public domain must also be rejected. Even if the telecast was an "investing" publication sufficient to confer statutory rights to the collective work upon AMPAS, in whose name the copyright notice appeared, that one-time showing of the Compilation was only a "performance" which cannot constitute a "divesting" publication. *See Burke* v. *National Broadcasting Co.*, 598 F.2d 688, 691, 693 (1st Cir.), *cert. denied*, 444 U.S. 869 (1979); *Columbia Broadcasting System, Inc.* v. *Documentaries Unlimited, Inc.*, 42 Misc. 2d 723, 727, 248 N.Y.S.2d 809, 812-13 (Sup. Ct. 1964); *De Mille Co.* v. *Casey*, 121 Misc. 78, 87-88, 201 N.Y.S. 20, 28 (Sup. Ct. 1923); 1 *Nimmer* § 4.11[B], at 4-55. As we have noted, rigorous standards apply in determining when distribution of copies of a work constitutes a "publication" sufficient to cause a loss of common-law copy-

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(footnote continued from preceding page)

script used for a licensed BBC broadcast. BBC had obtained a statutory copyright in its program. ABC threatened to use the program, in an allegedly infringing manner, with the permission of BBC but not of "Monty Python." In upholding the plaintiffs' right to a preliminary injunction, *Gilliam* broadly stated that "the copyright in the underlying script survives intact despite the incorporation of that work into a derivative work." 538 F.2d at 20. Citing section 7's provision that the copyright in a derivative work does not affect the "force or validity" of a copyright in an underlying work, the Court observed that "the same principles [that apply] to derivative works adapted from material in which there is a statutory copyright also apply to material in which there is a common law copyright." *Id.* at 20 n.3. The plaintiffs here cite *Gilliam* to show that publication of a derivative work does not extinguish common-law rights in an underlying component. However, even though the Court ruled "Monty Python" was entitled to a preliminary injunction, the impact of the broadcast upon the group's common-law rights was specifically left for consideration at trial, since defendant had not objected to the group's "assertion of common law copyright in an unpublished script." *Ibid.*

right without acquisition of statutory protection. We therefore conclude that the Compilation is not in the public domain.

There remains for consideration the possibility that the 1972 telecast conferred statutory protection for the Compilation upon the plaintiffs, forcing on them an unintended exchange of their common-law copyright. We held in *Goodis v. United Artists Television, Inc.*, 425 F.2d 397 (2d Cir. 1970), that the author of a novel, serialized in the *Saturday Evening Post*, obtained a statutory copyright in his novel as a consequence of the *Post's* obtaining copyright protection for each issue of the magazine by affixing to each issue a copyright notice in the *Post's* name.

Though superficially analogous to this case, *Goodis* does not require a conclusion that the plaintiffs have unwittingly obtained a statutory copyright in the Compilation. *Goodis* accorded statutory protection to the author of the novel in response to the argument of his infringer that publication by the *Post* had placed the novel in the public domain. That publication, involving nationwide distribution of copies of a magazine, was a "divesting" publication that unquestionably terminated the author's common-law rights. *Goodis* explicitly accorded the author statutory rights to protect him from unintentional forfeiture of all his rights due to publication with copyright notice in the "wrong" name. *See* 425 F.2d at 400. By contrast, the plaintiffs need no such protection because the 1972 telecast was not a "divesting" publication. Their common-law rights remain intact. The protective rationale of *Goodis* cannot be used to force a holder of a common-law copyright to exchange it for statutory rights, simply because the work was included in an "investing" publication of a collective work bearing a copyright notice in the compiler's name.

We conclude that the District Court properly permitted the jury to find that CBS infringed the plaintiffs' valid common-law copyright in the Compilation.

C. Unfair Competition

CBS next contends that the plaintiffs may not maintain a claim that the CBS Chaplin retrospective unfairly competed with plaintiffs' plan to license "The Gentleman Tramp." The argument implicitly questions whether New York unfair competition law applies to the taking of one item of a plaintiff's property (the Compilation) and its use in competition with another item ("The Gentleman Tramp"). Explicitly, the argument asserts that the plaintiffs' claim, nominally based on misappropriation of the Compilation, ultimately rests on appropriation of the films, and that a state law claim based on misappropriation of federally copyrighted materials is preempted under the doctrine of *Sears, Roebuck & Co.* v. *Stiffel Co.*, 376 U.S. 225 (1964), and *Compco Corp.* v. *Day-Brite Lighting, Inc.*, 376 U.S. 234 (1964). We consider, first, whether CBS's use of the Compilation is unfair competition under New York law and, second, whether such a state law claim is preempted in the circumstances of this case.

The misappropriation branch of the unfair competition tort traces its lineage to the Supreme Court's decision in *International News Service* v. *Associated Press*, 248 U.S. 215 (1918), upholding a decision enjoining INS from copying AP's news bulletins, which AP had compiled at considerable effort and expense, and then selling the pirated information in competition with AP. With the subsequent decline of general federal common law, the doctrine was developed by the states, New York in particular; there it has flourished in a variety of factual settings, *see Metropolitan Opera Ass'n* v. *Wagner-Nichols Recorder Corp.*, 199

Misc. 786, 792-96, 101 N.Y.S.2d 483, 488-93 (Sup. Ct. 1950), *aff'd mem.*, 279 A.D. 632, 107 N.Y.S.2d 795 (1951), despite some early efforts by this Court to limit the doctrine to the narrow circumstances of the *INS* case, *see, e.g., RCA Manufacturing Co.* v. *Whiteman*, 114 F.2d 86, 90 (2d Cir.), *cert. denied*, 311 U.S. 712 (1940). *See generally Developments in the Law—Competitive Torts*, 77 Harv. L. Rev. 888, 933-35 (1964).

An unfair competition claim involving misappropriation usually concerns the taking and use of the plaintiff's property to compete against the plaintiff's own use of the same property, *e.g., International News Service* v. *Associated Press, supra*. By contrast, in this case the Compilation was taken and used to compete unfairly against a different property, "The Gentleman Tramp." Despite the unusual facts, we are satisfied that the plaintiffs have established an unfair competition tort under New York law.

New York courts have noted the "incalculable variety" of illegal practices falling within the unfair competition rubric, *Ronson Art Metal Works, Inc.* v. *Gibson Lighter Manufacturing Co.*, 3 A.D.2d 227, 230-31, 159 N.Y.S.2d 606, 609 (1957), calling it a "broad and flexible doctrine" that depends "more upon the facts set forth . . . than in most causes of action," *Metropolitan Opera Ass'n* v. *Wagner-Nichols Recorder Corp., supra*, 199 Misc. at 792, 101 N.Y.S. 2d at 488, 489. It has been broadly described as encompassing "any form of commercial immorality," *id.* at 796, 101 N.Y.S.2d at 492, or simply as "endeavoring to reap where [one] has not sown," *International News Service* v. *Associated Press, supra*, 248 U.S. at 239; it is taking "the skill, expenditures and labors of a competitor," *Electrolux Corp.* v. *Val-Worth, Inc.*, 6 N.Y.2d 556, 567, 161 N.E.2d 197, 203, 190 N.Y.S.2d 977, 986 (1959), and "misappropriati[ng] for the commercial advantage of one person

. . . a benefit or 'property' right belonging to another," *Metropolitan Opera Ass'n* v. *Wagner-Nichols Recorder Corp., supra,* 199 Misc. at 793, 101 N.Y.S.2d at 489. The tort is adaptable and capacious. While it might be objected that such an amorphous cause of action is capable of mischievous application, even a modest interpretation comprehends the facts of this case. CBS unquestionably appropriated the "skill, expenditures and labor" of the plaintiffs to its own commercial advantage. Its actions, in apparent violation of its own and the industry's guidelines, were arguably a form of "commercial immorality." We are confident that the New York courts would call its conduct unfair competition.

We next consider whether the plaintiffs' unfair competition claim, though focusing on misappropriation of the Compilation, is so inextricably related to CBS's use of excerpts from the copyrighted films as to encounter a possible preemption defense based on *Sears-Compco.* It is true that part of the reason CBS's 1977 retrospective was alleged to have undermined the marketability of "The Gentleman Tramp" was that the retrospective invaded the plaintiffs' legal monopoly in the copyrighted Chaplin films, a monopoly they naturally relied upon to distinguish their biography from any competitor's. Nevertheless, the act of taking the Compilation, as an entity apart from the films, defines a distinct offense, caused distinct damage, and was the basis of the jury's finding of liability for unfair competition. The commercial effectiveness of CBS's retrospective and the efficiency with which it was produced and shown were undoubtedly enhanced by the use of the plaintiffs' artistry in fashioning the Compilation from the raw material of the films. Moreover, CBS's conduct in obtaining the Compilation from NBC was commercially wrongful in a more serious way than use of film excerpts would have been. A decision

to use isolated film clips to memorialize Chaplin's life could perhaps have been viewed as an act done in the good faith belief that such use was fair; but the additional decision not only to use the film clips, but to use them in a distinct and original form whose commercial potential, as CBS knew, reflected someone else's effort and creativity, precludes any thought of good faith. Under the circumstances, we think that the misappropriation is what renders unfair CBS's competition with "The Gentleman Tramp." Indeed, the plaintiffs, as owners of the Compilation, would have had a viable claim for unfair competition even if they did not hold copyrights in the films.

Since the unfair competition is sufficiently based on the misappropriation of the Compilation, as distinct from the copyrighted films, the claim is not vulnerable to a preemption defense. Application of state unfair competition laws to unpublished works protected by common-law copyright is preserved from preemption, 17 U.S.C. § 2, and unaffected by the *Sears-Compco* preemption doctrine. *Columbia Broadcasting System, Inc.* v. *Documentaries Unlimited, Inc., supra,* 42 Misc. 2d at 726, 248 N.Y.S.2d at 812. We therefore uphold the unfair competition claim.[19]

D. Damages

CBS objects to the punitive damages awarded against it on the two common-law claims, arguing that punitive damages on such claims are contrary to law and public policy, and that the award is excessive, duplicative, and the result of passion and prejudice. We agree with Judge Lasker's

[19] We need not consider plaintiffs' further contention that even if the unfair competition claim were substantially based on misappropriation of the copyrighted films, the claim would not be preempted because the facts of this case indicate no conflict with federal policies.

careful analysis of these objections and with his conclusion that they are meritless. New York law clearly permits punitive damages where a wrong is aggravated by recklessness or willfulness, *Le Mistral, Inc.* v. *Columbia Broadcasting System,* 61 A.D.2d 491, 495, 402 N.Y.S.2d 815, 817 (1978), whether or not directed against the public generally, *Borkowski* v. *Borkowski,* 39 N.Y.2d 982, 355 N.E.2d 287, 387 N.Y.S.2d 233 (1976). CBS's further attempt to construct a preclusive federal policy from the First Amendment and the federal copyright law is equally unavailing. We have already concluded that CBS's conduct enjoyed no constitutional protection, and the policies prohibiting punitive damages in federal infringement actions are irrelevant to actions brought under state law.

As to the claim of excess amount, Judge Lasker correctly noted that punitive damages are within the jury's discretion and will not be disturbed unless they are grossly excessive. 503 F. Supp. at 1154. The deterrent potential of an award of $410,000 must be measured by its likely effect on a national television network with 1977 earnings of some $217,000,000, *see id.* at 1154 n.10. We agree with Judges Ward and Lasker that the award was neither excessive nor the result of passion and prejudice. On the final question of duplication in the two separate awards of punitive damages, $300,000 on the common-law copyright claim and $110,000 on the unfair competition claim, we are satisfied that the awards reflect assessments of distinct harms caused by distinct acts. Moreover, CBS requested the special verdict forms that elicited the separate awards on the two common-law claims. Having insisted on a fragmented assessment of punitive damages, CBS cannot complain that the jurors followed their instructions.

For the reasons stated above, we affirm the judgment of the District Court.

APPENDIX B

Opinion of the District Court

UNITED STATES DISTRICT COURT

SOUTHERN DISTRICT OF NEW YORK

78 Civ. 2417 (MEL)

(SEAL)

ROY EXPORT COMPANY ESTABLISHMENT OF VADUZ, LIECHTENSTEIN, BLACK INC. A.G., FILMVERHUURKANTOOR DE DAM B.V., and rbc FILMS,

Plaintiffs,

—against—

COLUMBIA BROADCASTING SYSTEM INC.,

Defendant.

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LASKER, D.J.

Columbia Broadcasting System, Inc. ("CBS") moves for a judgment notwithstanding the verdict, or, in the alternative, for a new trial, pursuant to Rule 50(b), Fed. R. Civ. Pr., following a three week trial in which the jury found that CBS had infringed plaintiffs' statutory and common law copyrights and had unfairly competed with plaintiffs.[1] CBS maintains that its motions for directed verdict and dismissal should have been granted because (1) its use of the copyrighted works was protected as a matter of law by the fair use doctrine or the First Amendment to the Constitution; (2) plaintiffs had no common law copyright interest in any work in issue; (3) the common law unfair competition claim was federally preempted by the copyright statutes in this case; and (4) its use of two of the copyrighted works was authorized as a matter of law. CBS also claims that punitive damages were unwarranted in this action or were

[1] The jury awarded plaintiffs $7,280. in damages for statutory copyright infringement, $1. in compensatory and $300,000. in punitive damages on the common law copyright infringement and $300,000. in compensatory and $110,000. in punitive damages on the unfair competition claim.

excessive and duplicative and that errors in the jury charge and in the admission of evidence require a new trial.[2]

In a motion under Rule 50(b), the evidence is to be viewed in the light most favorable to the plaintiffs, and plaintiffs are entitled to the benefit of all inferences which the evidence fairly supports. *Continental Ore Co.* v. *Union Carbide & Carbon Corp.*, 370 U.S. 690, 696 (1962). If there was sufficient evidence to present a jury question on a particular claim, then the denial of a motion for directed verdict on that claim was proper and the motion for judgment notwithstanding the verdict must be denied. *Gehrhardt* v. *General Motors Corp.*, 581 F.2d 7 (2d Cir. 1978); *Epoch Producing Corp.* v. *Killiam Shows, Inc.*, 522 F.2d 737, 742 (2d Cir. 1975), *cert. denied*, 424 U.S. 955 (1976).

I. BACKGROUND

The works at issue in this case are Charlie Chaplin films and derivative works. The plaintiffs own the copyrights in, and various distribution rights to, the six motion pictures relevant to this case.[3] (PTO ¶¶ 5, 6). Each film was written, produced, directed by and starred Charlie Chaplin.

Between 1956 and 1971, Roy Export acquired from Chaplin and his corporation the sole and exclusive owner-

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[2] Judge Ward, who presided at trial, is not hearing this motion because he became disqualified pursuant to the provisions of 28 U.S.C. § 445 following trial. Had we been the trial court in this case, our familiarity with the unusually complex factual and legal issues in this case might have enabled us to dispose of this motion in brief fashion.

[3] The films are "The Kid," "The Gold Rush," "The Circus," "City Lights," "Modern Times," and "The Great Dictator." ("The Chaplin films").

ship of the copyrights in the Chaplin films. (PTO ¶ 7). Black, Inc. owns the sole and exclusive worldwide distribution rights until 1986. (PTO ¶ 8). De Dam acquired from Black, Inc. the exclusive United States television rights to the films until 1986 and the exclusive United States theatrical rights. (PTO ¶ 9). rbc Films has held licenses for United States non-theatrical distribution rights for the Chaplin films since 1973 and, since 1975 has held exclusive licenses for United States non-theatrical distribution rights for "The Gentleman Tramp." (PTO ¶ 10). Bert Schneider and Mo Rothman had at all relevant times authority to act on behalf of Black, Inc. and De Dam in authorizing use of the Chaplin films. (PTO ¶ 1(d)).

In 1972, the Academy of Motion Picture Arts and Sciences ("AMPAS") approached Schneider with the possibility of persuading Chaplin to return to the United States for the first time in twenty years to receive a special award from AMPAS during the 1972 nationally televised Academy Awards presentation. In connection with Chaplin's appearance on the Academy Awards show, AMPAS requested that Schneider supervise the preparation of a tribute to Chaplin consisting of highlights from the Chaplin films. Schneider enlisted the aid of the noted director, Peter Bogdanovitch, who in turn recommended that Richard Patterson be used for film editing. They selected particular scenes, planned the particular sequence and timing, and produced a 13 minute film consisting of highlights from the Chaplin films. After showing it to Chaplin, a scene was added. This film (the "Compilation") was then played on the 1972 Academy Awards telecast. (Tr. 238-241). As Schneider testified, the understanding with AMPAS was that the Compilation was to be used on the Academy Awards broadcast only, and that AMPAS had no right to

use it again. (Tr. 238-241). The Compilation is the subject of plaintiffs' common law copyright infringement claim.

In 1974, by virtue of various agreements entered into between plaintiffs and others, plaintiffs agreed to produce a film biography of Chaplin. Schneider acted as producer of this film, which was completed in 1975 and entitled "The Gentleman Tramp." Many of the same highlights of Chaplin's films which had been included in the Compilation were included in "The Gentleman Tramp," Roy Export having authorized their use. (PTO ¶ 30). Two versions of "The Gentleman Tramp" were prepared, one designed for American television as a 90 minute special, the other for foreign theatrical exhibition. Roy Export owns the copyrights to "The Gentleman Tramp." (PTO ¶¶ 31-35).

In 1973, CBS had begun work on its own retrospective program about Chaplin for use at the time of Chaplin's death. CBS soon learned of plaintiffs' copyrights on the Chaplin films and plaintiffs' plans to produce their own retrospective biography ("The Gentleman Tramp"). CBS repeatedly requested permission to use excerpts from the Chaplin films, but plaintiffs refused, explaining that they themselves were producing the "definitive" Chaplin biography. (Pl. Ex. 15, 16, 18, 23-26, 36, 38, 40, 42). Nevertheless, CBS prepared a "rough cut" which included two scenes from copyrighted films which CBS had obtained in 1972 for use on its "60 Minutes" program.

In 1976, rbc Films sent CBS a print of "The Gentleman Tramp" in an attempt to sell CBS a license for the film. CBS screened the film but did not purchase the license. In December, 1977, rbc made another unsuccessful attempt to sell the license for "The Gentleman Tramp" to CBS.

On December 25, 1977, Charlie Chaplin died. Russell Bensley, director of the CBS Special Events Unit, attempted

to contact Schneider and Rothman to see if they had changed their minds and would grant CBS permission to use excerpts. The same day, CBS obtained from NBC a copy of the Compilation which had been shown on the Academy Awards broadcast. Although CBS was unable to reach Schneider or Rothman, it decided to proceed with a retrospective. At that time, CBS had two possible versions available for broadcast, one the "rough cut" consisting primarily of public domain footage, the other a new version which incorporated, with minor editions, the Compilation as well as other copyrighted material. (Tr. 661, 675-76). Richard Salant, the President of CBS News, made the final decision to use the latter version, 40% of which consisted of plaintiffs' copyrighted films. That show was broadcast on December 26, 1977, between 11:30 P.M. and Midnight (EST). (PTO ¶¶ 60, 64; Tr. 683-692).

The CBS broadcast has given rise to this suit. The jury concluded that CBS' use of the Chaplin films (consisting of CBS' use of the eleven scenes contained in the Compilation, and two other copyrighted excerpts) constituted an infringement of plaintiffs' statutory copyright in the films themselves, CBS' use of the Compilation constituted an infringement of plaintiffs' common law copyright, and CBS' conduct constituted unfair competition with plaintiffs' Chaplin retrospective, "The Gentleman Tramp."

II. THE FAIR USE DEFENSE

CBS asserts that its motions to dismiss and for a directed verdict with respect to the statutory copyright infringement claim should have been granted because its use of excerpts from the Chaplin films constituted fair use as a matter of law. As we understand its position, CBS does not dispute

that the applicability of the fair use defense is ordinarily a factual question for the jury to determine. *Meeropol* v. *Nizer*, 560 F.2d 1061, 1071 (2d Cir. 1977), *cert. denied*, 434 U.S. 1013 (1978). Rather, CBS contends that the facts pertinent to the fair use defense were not seriously in dispute. (Defendant's Brief, pp. 15-16).

The doctrine of fair use creates a "privilege in others than the owner of the copyright to use the copyrighted material in a reasonable manner without his consent, notwithstanding the monopoly granted to the owner . . ." *Rosemont Enterprises, Inc.* v. *Random House, Inc.*, 336 F.2d 303, 306 (2d Cir. 1966), *cert. denied*, 385 U.S. 1009 (1967), *quoting* Ball, *The Law of Copyright and Literary Property*, 260 (1944). The doctrine is meant to balance the public's interest in the dissemination of information with the exclusive rights of the copyright holder. *Wainwright Securities, Inc.* v. *Wall Street Transcript Corp.*, 558 F.2d 91 (2d Cir. 1977), *cert. denied*, 434 U.S. 967 (1977). Four factors have traditionally been considered in determining the applicability of the Fair Use defense:[4] (1) the purpose and character of the use; (2) the nature of the copyrighted work; (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and (4) the effect of the use upon the potential market for or value of the copyrighted work. *Iowa State University Research Foundation, Inc.* v. *American Broadcasting Companies, Inc.*, 621 F. 2d 57 (2d Cir. 1980).

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[4] While originating as a judge-made doctrine, the fair use defense, along with these four factors, have now been codified in 17 U.S.C. § 107 of the 1976 Copyright Act. The new statute, however, does not govern this case because plaintiffs' statutory copyrights were secured before the 1976 Act took effect.

Appendix B—Opinion of the District Court

A. *The Purpose and Character of CBS' Use of Plaintiffs' Copyrighted Material*

CBS maintains that only the fourth factor—the effect of the use upon the potential market for or value of the copyrighted work—was seriously in dispute in this case. It claims that the first factor—the purpose and character of the use—clearly runs in its favor, since its special constituted news reporting of a matter of intense public interest, the death of Charlie Chaplin. According to CBS, its use of the Chaplin films was essential to acquaint the public with the artistic genius of the controversial Chaplin. Due to Chaplin's twenty year absence and his withholding of his later films from the American market, CBS argues, it could not properly communicate the significance of his life without showing these excerpts. Moreover, the fact that Chaplin had been forced out of the country during the 1950's wave of McCarthyism and the political nature of his life and work made Chaplin's "oeuvre" especially newsworthy at his death. Thus, CBS contends, the public benefit gained from the encouragement of historical and biographical works, *see Rosemont Enterprises, Inc.* v. *Random House, Inc.*, 366 F.2d 303, 307 (2d Cir. 1966), *cert. denied*, 385 U.S. 1009 (1967), outweighed the copyright owner's interest in this case. CBS maintains that just as Howard Hughes' attempt to prevent a biographer from publishing copyrighted material about his life was rejected in *Rosemont*, so plaintiffs' attempt to monopolize the subject matter of their copyrights should be rejected here insofar as it has the effect of depriving the public of information about Chaplin's life.

CBS' contentions are unpersuasive. Unlike Howard Hughes' attempt in *Rosemont* to prevent unauthorized use of *facts* about his life, plaintiffs here seek to protect the

artistic expressions of Charlie Chaplin. There is no doubt that CBS "possessed an unfettered right to use any factual information" about Chaplin. *Iowa State, supra* at 61. CBS instead used Chaplin's artistic works themselves. "The public interest in the free flow of information is assured by the law's refusal to recognize a valid copyright in facts. . . . The fair use doctrine is not a license for corporate theft, empowering a court to ignore a copyright whenever it determines the underlying work contains material of possible public importance." (citations omitted) *Iowa State, supra* at 61.

Moreover, although the public interest in Chaplin at the time of his death may make the fair use defense relevant, the success of the defense depends on a determination that the actual use was fair and reasonable in the circumstances. Here the evidence established that CBS had prepared an alternative version of its special which largely used films in the public domain rather than plaintiffs' copyrighted films. The jury could reasonably have concluded that if, as CBS strenuously argued, it was essential to proper coverage of Chaplin's death that some film clips be shown, the showing of excerpts from films in the public domain would have been sufficient, and that CBS' decision to broadcast the offending version was motivated by commercial rather than educational considerations. Nor does CBS' emphasis on the unsponsored nature of the show establish that CBS did not use the films for commercial exploitation, since common experience suggests that CBS stood to gain at least indirect commercial benefit from the ratings boost which it had reason to hope would (and in fact did) result from the special. (PTO ¶¶ 66-69, 73-74). While this fact "does not, standing alone, deprive [CBS] of the fair use defense . . . it is relevant." *Meeropol* v. *Nizer*, 560 F.2d 1061, 1069 (2d Cir. 1977), *cert. denied*, 434 U.S. 1013 (1978).

Finally, CBS argues that, somewhat like the Zapruder film of President Kennedy's assassination at issue in *Time Inc. v. Bernard Geis Associates*, 293 F.Supp. 130 (S.D.N.Y. 1968), Chaplin's artistic expressions were newsworthy in themselves. But this argument misconceives the policies of the copyright laws. Under CBS' view, the more successful an artist is, the less he can protect or demand payment for the use of his work. Yet the copyright law bestows a monopoly right on the copyright owner to encourage artistic creativity, and would be undermined by CBS' bootstrapping argument. Nor do the policital circumstances surrounding Chaplin's exclusion from the United States justify CBS' use of Chaplin's films. It would be a cruel irony if the fact that Chaplin was wrongly banned from this country were used to justify unauthorized and uncompensated use of his artistic products upon his return. Thus, despite CBS' strenuous arguments to the contrary, there is no doubt that a jury member could reasonably conclude that the purpose and character of CBS' use tended to negate rather than support a fair use defense.

B. *The Nature of Plaintiffs' Copyrighted Work*

CBS also argues that the nature of the plaintiffs' copyrighted work supports its fair use defense. It contends that because the Chaplin films in question were only sporadically shown in American theatres between 1972 and 1977, plaintiffs' copyrighted work was not of a commercial nature. (Defendant's Brief, p. 14). However, the claim misses the point. Despite the quantum of commercial exploitation made of the films at the time of CBS' actions, the crucial consideration is that the six Chaplin films were created for commercial gain. The jury could have reasonably concluded that CBS used the films to "fulfill the same function—[and

therefore the] scope of fair use is constricted." 3 *Nimmer on Copyright* § 13.05[B], p. 13-58.

C. *The Substantiality of CBS' Use of Plaintiffs' Copyrighted Works*

CBS next argues that its use of the Chaplin films was not substantial since only a short excerpt from each film was broadcast. One minute and forty-five seconds was used from "City Lights," which has a one hour and twenty minute running time; three minutes and forty-five seconds of the one hour film "The Kid" was used; CBS used one minute and twenty-five seconds of "The Circus," with a total running time of one hour and twelve minutes; fifty-five seconds from the one hour and twenty-nine minute film "Modern Times"; and one minute and fifteen seconds was used out of a possible one hour and twelve minutes from "The Gold Rush."

We find that the jury could reasonably have found, at least with respect to some of the films, that CBS' use was quantitatively substantial. And even assuming that CBS' use of some of the films was quantitatively small, the jury could reasonably have concluded that it was qualitatively great. CBS concedes that each of the scenes it used was amongst Chaplin's best (Defendant's Brief, p. 13) and there was evidence that each such excerpt was central to the film in which it appeared. (Tr. 1590-1601; 1618). Indeed, CBS itself at trial apparently maintained that the substantiality of its use must be determined from a qualitative as well as quantitative point of view. (Tr. at 774). CBS' present attempt to argue that its use of Chaplin's best scenes was justified by its need to show the full extent of Chaplin's genius thus must be rejected. At best, the fact that CBS used Chaplin's best scenes runs against, not for, a finding of fair use establishing, as it does, the qualitative

substantiality of the use. As the trial judge [4A] put it at trial, "I would think there would be a substantial taking of 'Gone With the Wind' if somebody just took the burning of Atlanta . . . ten or fifteen minutes of a three or four hour movie." (Tr. at 774). In any event, the question of whether CBS' use was substantial presented a classic jury question; the trial court properly submitted it to them.

D. *The Effect of CBS' Use on the Potential Market For or Value of the Plaintiffs' Copyrighted Works*

CBS agrees that the fourth factor—the effect of the use upon the potential market for or value of the copyrighted works—was in dispute. It argues, however, that there was absolutely no evidence that its broadcast had any effect on the potential market for the Chaplin films and that the trial court incorrectly allowed the jury to consider evidence of harm to the potential market for "The Gentleman Tramp" in determining the applicability of the fair use defense. As noted above, "The Gentleman Tramp" is a film biography of Chaplin prepared by plaintiffs with authorization to use excerpts from the copyrighted films, i.e., it is a derivative work. There is no allegation in the complaint that CBS infringed the copyright of "The Gentleman Tramp." The trial court instructed the jury that "you should consider the effect of [CBS'] use upon the value of any of the plaintiffs' rights in the copyrighted work, including the value of the derivative work, 'The Gentleman Tramp' . . ." (Tr. 1813). CBS maintains that the standard of "the effect upon . . . the copyrighted work" applies only to the allegedly infringed work itself (the Chaplin films), not to the derivative work ("The Gentleman Tramp").

[4A] *See* footnote 2, *supra.*

CBS' distinction between the effect of an infringement of an original copyrighted work on the inchoate right to make a derivative work as opposed to the effect on the derivative work itself is without merit. Plaintiffs correctly indicate the incongruous results which such a distinction would produce. If CBS' theory were the law, once a copyright owner had sold the right to make a derivative work and that right was exercised, a party could infringe the original work in order to compete with the derivative work and neither the owner of the copyright of the original work nor the owner of the copyright of the derivative work would have a remedy. The owner of the derivative copyright could not complain because the derivative work itself would not have been infringed; and the owner of the original copyright would face a fair use defense because, under CBS' theory, effect on the potential market for or the value of the derivative work may not be considered.

In addition, we believe that at least indirect harm to the potential market for the original work may logically flow from the inability to protect the derivative work. The value of the right to use the copyrighted work to make a derivative work, which the copyright owner may sell or himself exercise, would certainly seem to be diminished by the ability of another to use the copyrighted work in order to compete at will with the derivative work. In the instant case, the copyright owner of the Chaplin films gave his authorization for excerpts to be used in "The Gentleman Tramp." He did not authorize use for the CBS show. If CBS may nevertheless use the films because its unauthorized use harmed only "The Gentleman Tramp" (the derivative) and not the potential market for the original films themselves, the value of the copyright owner's authorization would be severely diminished. It is thus apparent that the concept of "effect

upon . . . the copyright work" must apply not only to the original copyrighted work, but also the derivative work. In *Marvin Worth Productions* v. *Superior Films Corp.*, 319 F.Supp. 1269 (S.D.N.Y. 1970), we considered harm to a derivative work in production relevant to the applicability of a fair use defense. The fact that the derivative work in the present case had been completely produced and had itself been copyrighted is a distinction without a difference. The same policies apply; the ultimate value of the original copyrighted work is affected in both instances.[5]

* * *

In addition to the four factors discussed above, there was ample evidence from which a jury could reasonably find that CBS' use of the copyrighted material was in bad faith. "Fair use presupposes 'good faith and fair dealing.'" *Time, Inc.* v. *Bernard Geis Associates*, 293 F.Supp. 130 (1968), *quoting* Schulman, Fair Use and the Revision of the Copyright Act, 53 Iowa L.Rev. 832 (1968); *Iowa State, supra*

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[5] CBS relies on *New York Times Company* v. *Roxbury Data Interface, Inc.*, 434 F.Supp. 217 (D.N.J. 1977) for the proposition that evidence of harm to the potential market for the derivative work is not relevant to the question of fair use of the infringed copyrighted work. Plaintiff asserts that *Roxbury* is not on point because there the claimed harm was to non-derivative works which merely shared a common source. In *Roxbury, The New York Times* owned copyrights to a general index to the newspaper which defendants had used in compiling a special proper name index. The *Times* claimed that defendant's index harmed the potential market for their computer data bank and their other cumulative indexes, particularly the Obituaries Index. It is unclear whether the court in *Roxbury* considered the computer data bank and the other indexes to be derivative or not; we find nothing in the case to support plaintiff's assertion that the works were not derivative. Be that as it may, if the *Roxbury* court did consider harm to the potential market of derivative work to be irrelevant to a determination of the availability of the fair use defense, *see* 434 F.Supp. at 224, we disagree for the reasons stated in the text.

at 62. The facts are that CBS repeatedly requested plaintiffs' permission to use excerpts of the copyrighted films during the period from 1973 through 1977. Plaintiffs denied each request, making it perfectly clear that they would not grant permission because plaintiffs were themselves using the films to make their own Chaplin retrospective. (Pl. Ex. 15, 16, 18, 23-26, 36-38, 40, 42). Moreover, CBS acquired the Compilation from NBC based on the misrepresentation that it would use excerpts only on the nightly news. (Tr. 1322-23, 1327-28). And CBS' conduct violated not only its own guidelines but also industry standards of ethical behavior. (Pl. Ex. 77, 83-85, 87-91; Tr. 301, 417-22, 962-66, 1197-98, 1298-1302, 1604-05). Finally, the dramatic ratings boost which CBS in fact enjoyed from the Chaplin special leads to an inference that CBS ignored plaintiffs' rights for its own commercial gain and prestige. As the trial court stated, "there was knowing, willful conduct spelled out as clear as I have ever seen it spelled out . . ." (Tr. 790-91).

In sum, there was sufficient evidence for the jury reasonably to decide that each relevant factor went against CBS' claim of a fair use defense. In the circumstances, it would have been error for the trial judge to grant CBS' motions for a directed verdict or dismissal as to the statutory copyrighted infringement claims. *Meeropol* v. *Nizer, supra,* at 1071.[6]

* * *

[6] CBS also presents the novel theory that plaintiffs had a duty to make the films available so that a fair use could be made and that plaintiff's failure to do so justified the use which CBS made. This position incorrectly assumes that a fair use can be made of every copyrighted work; the fair use doctrine, as far as our research indicates, has never been put to such reading, which would be totally at

(footnote continued on following page)

CBS also argues that its use of the Compilation was fair as a matter of law. It maintains that Chaplin's 1972 return to the United States to appear before a nationwide television audience was a major news event, that the showing of the Compilation was an irreducible part of that event, and that the Academy Awards show itself was an audiovisual news event which could not be appreciated in any other way than by broadcasting it. Again CBS turns the copyright law on its head by contending that significant artistic achievement becomes an event in itself so that the artistic product can be used without authorization or compensation to the copyright owners. The claim rings hollow. Clearly, it was the fact of *Chaplin's* appearance and not the artistic works which were presented with it which was arguably newsworthy five years later, upon his death. CBS' taking of virtually the entire Compilation cannot be justified by labeling it as part of a newsworthy event.

III. THE FIRST AMENDMENT DEFENSE

Apart from its fair use argument, CBS contends that its broadcast of the Chaplin films and the Compilation constituted protected expression under the First Amendment. CBS relies on Nimmer's comment that some copyrighted works, such as photographs of the My Lai massacre in Vietnam,

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(footnote continued from preceding page)

odds with the main thrust of the copyright laws insofar as they grant a monopoly to the copyright owner. Moreover, there was evidence to indicate that the films were available on video discs and cassettes. (Exhibits A to P, Exhibit 61) and that plaintiffs assisted a CBS associate producer in obtaining a Chaplin film print for research purposes. (Exhibits 13, 14, 20).

> "make a unique contribution to an enlightened democratic dialogue. No amount of words describing the 'idea' of the massacre could substitute for the public insight gained through the photographs. The photographic expression, not merely the idea, became essential . . . to fully understand . . . that tragic episode . . . " 1 *Nimmer on Copyright*, § 1.10[c], p. 1-82.

Thus, Nimmer suggests that with respect to certain news photographs, the interest of a copyright owner is outweighed by a First Amendment interest in the subject of the work where "the event depicted in the photograph, as distinguished from the fact that the photograph was made, is the subject of news stories . . . " 1 *Nimmer on Copyright*, § 1.10[c], p. 1-83.

At the outset, CBS' reliance on Nimmer appears misplaced, at least with reference to the film clips. They were used to illustrate Chaplin's artistic genius, not to communicate anything about the events depicted in the films, which were clearly fictitious. CBS argues, however, that the Compilation was essentially a news film which contributed to democratic dialogue by showing that the country had been deprived of this great artist's work by virtue of the McCarthy era's excesses. According to CBS, it had a First Amendment right to use the Compilation to communicate the detrimental effect that political extremism can have on a nation's cultural and artistic life. Finally, CBS concludes that the Academy Awards broadcast, making the triumphant return of Chaplin to this country, constituted a remarkable occurrence, the newsworthiness of which justified CBS' use of the Compilation. CBS argues that, just as private rights have been subordinated to First

Amendment considerations in such areas as libel law, e.g., *New York Times* v. *Sullivan*, 376 U.S. 254 (1964), so the private copyright interests must give way here.

We need not decide whether on some set of facts the First Amendment may provide a separate defense from fair use, *see Wainwright, supra*, at 95, for this is clearly not the case. Assuming *arguendo* that CBS had a protected First Amendment interest in showing some of Chaplin's work in order to convey the idea that political extremism breeds repression of artistic endeavor, here CBS not only showed Chaplin's work, but also appropriated the skill and labor of the creators of the Compilation, who carefully selected, sequenced and edited the film clips. CBS' response that the showing of the Compilation at the Academy Awards presentation constituted an irreducible, audiovisual news event and thus entitled CBS to use it is singularly unpersuasive. The audiovisual news event, if there was one, was Chaplin's appearance, not the showing of his work, and certainly not the precise artistic means through which his films were showcased (the Compilation). Furthermore, the trial judge's instructions to the jury on fair use encompassed the contentions CBS makes here. The jury considered and rejected CBS' justification that its showing of the Chaplin films was essential to its biography, and CBS was unable to convince the jury that the public domain films would have been insufficient or that the public was so unfamiliar with Chaplin's work that even some use of his films was necessary. Moreover, there was ample evidence that CBS' use was in bad faith, *cf.*, *Sullivan* v. *New York Times, supra*, suggesting that First Amendment protection in this case would be inappropriate.

IV. COMMON-LAW COPYRIGHT INFRINGEMENT

CBS contends that the common law infringement claim should have been dismissed. Common law copyright is an author's proprietary interest in his creation before it has been published, *Estate of Hemingway* v. *Random House, Inc.*, 296 N.Y.S.2d 771, 776 (Ct. App. 1967). The parties here agree that the showing of the Compilation during the Academy Awards show did not constitute publication and that it had not been published prior to the CBS use. CBS' first argument is that only artistic expressions which have been reduced to a tangible form may be protected by a common law copyright. Since the Compilation consists exclusively of complete scenes from films which are themselves copyrighted (the Chaplin films), it is argued that the Compilation cannot be the subject of a copyright because the common law copyright would then only protect the intangible skill, labor and talent utilized in bringing the scenes together.

This proposition misconceives the law. The requirement of tangible form does not mean that the intangible skill and thought reflected in the tangible object is not protected. It establishes only that a mere idea is not copyrightable: only a tangible work is. For example, in the instant case, if Bogdanovitch and his colleagues had merely had the idea of producing a compilation of Chaplin's scenes with a particular order and timing but had done nothing to realize the idea, CBS' use of that same order and timing of scenes would not have constituted an infringement of any common law copyright. However, once that idea had been embodied in tangible form, as it was in the Compilation, then the skill and talent of the producer is entitled to common law copyright protection, giving the creator the

right to decide when the work should be first published. The skill, labor and talent of Bogdanovitch et al. has in this case been embodied in a tangible form, the Compilation, and is thus protected under the common law copyright. *See Estate of Hemingway* v. *Randon House, supra,* at 777.

Moreover, the fact that the Compilation contains previously copyrighted material does not mean that it is not itself the product of original creative endeavor. There was sufficient evidence that its makers selected particular scenes, arranged their order, timing, pacing and theme so as to produce a separate, individual creative expression. The trial court correctly instructed the jury that common law copyright protection for the Compilation turned on "whether the new work involves the input of original creativity and whether it has artistic value." (Tr. 1819). The jury reasonably concluded that the Compilation, while consisting of previously copyrighted parts, constituted a new whole. See 1, *Nimmer on Copyright,* § 3.02. CBS has cited no case, and we have found none, to support the proposition that the creative arrangement of portions of separately copyrighted works is not copyrightable. To the contrary, courts have routinely protected such efforts. *E.g., Jacobs* v. *Robitville,* 406 F.Supp. 1145, 1149 (D.N.H. 1978) (compilation of classified advertisements separately copyrightable); *New York Times Co.* v. *Roxbury Data Interface, Inc.,* 434 F.Supp. 217, 220 (D.N.J. 1977) (copyright on correlation of separately copyrighted newspaper).

CBS next argues that even if a common law copyright might exist as to the Compilation, the fact that AMPAS owns the statutory copyright in the entire 1972 Academy Awards presentation (of which the Compilation was a part) precludes common law copyright protection for any portion of that presentation. CBS claims that only AMPAS has

standing to sue for the alleged infringement, and that since AMPAS is not a plaintiff, the claim of infringement of the common law copyright on the Compilation should have been dismissed. CBS maintains, in essence, that a statutory copyright in the entirety of a work cannot coexist with a common law copyright in any portion of that work.

Again, CBS' argument is without merit. The Academy Awards program was a derivative or collective work composed of "separate and independent works . . . assembled into a collective whole," *see* 17 U.S.C. § 101, in the same way as the Compilation itself is a collective work assembling the separate and independent film clips from the Chaplin films into a new, copyrightable work. And just as the authorization by the copyright owners of the Chaplin films for the use of excerpts in the Compilation does not affect their copyright interests in the Chaplin films, the license granted to AMPAS by the creators of the Compilation for one-time use on the Academy Awards broadcast does not affect plaintiffs' copyright interest in the Compilation. *Gilliam* v. *American Broadcasting Companies, Inc.*, 538 F.2d 14 (2d Cir. 1976). As Professor Nimmer states:

> "The copyright owner [the AMPAS program] of a derivative or collective work does not in such capacity obtain copyright in any pre-existing work [the Compilation] even though he may be licensed to incorporate such material in the derivative or collective work." 2 Nimmer, *Nimmer on Copyright*, § 7.16[B] ,p. 7-120.

CBS also asserts that AMPAS, and not plaintiffs, own the Compilation because plaintiffs were "employees for hire" or because AMPAS commissioned the work. However, despite the fact that AMPAS asked Schneider to

prepare excerpts for use on the Academy Awards broadcast and that the editing and other costs were borne by AMPAS, there was insufficient evidence in this case from which to find a commission relationship. CBS submits that AMPAS exerted a right of control over the production of the Compilation by suggesting a particular excerpt in the Compilation be shortened. But as CBS admits, the evidence showed that Bogdanovitch refused to cut the scene as AMPAS requested. Thus, the crucial question of artistic control, *see Epoch Producing Corporation* v. *Killiam Shows, Inc.*, 522 F.2d 737, 744 (2d Cir. 1975), must be resolved against CBS. Moreover, plaintiffs owned the underlying rights in the Chaplin films (the components of the Compilation), AMPAS never paid plaintiffs for use of the films or for the creative services of Schneider, Chaplin or Bogdanovitch, and, most significantly, plaintiffs gave AMPAS a one-time only license to broadcast the Compilation. As plaintiffs persuasively argue, if AMPAS owned the Compilation, they would not have sought a license from plaintiffs. An owner does not license his own use. In any event, ownership of a commissioned work turns on the intent of the parties, *see Brattleboro Publishing Co.* v. *Winmill Publishing Corp.*, 369 F.2d 565, 567 (2d Cir. 1966). Here the fact that plaintiffs licensed the Compilation to AMPAS and retained creative control over the Compilation dictate the finding that the parties intended that plaintiffs would own the Compilation.

Finally, CBS claims that, if AMPAS did not own the Compilation, then Bogdanovitch, Pattersen and Schneider were, as the sole creator-authors, the joint owners rather than the plaintiffs. However, CBS provides no support for this contention. To the contrary, Schneider indicated that his work on the Compilation was on behalf of the plaintiff

corporations (for which he was authorized to act), not for his own personal benefit. (Tr. at 239-41). Bogdanovitch testified that he worked on the Compilation as a favor to Schneider and Chaplin. (Tr. at 1616). In short, there is simply no basis to believe that Schneider, Bogdanovitch or Pattersen believed that they, rather than the companies Schneider represented, would own the Compilation.

V. FEDERAL PREEMPTION OF THE UNFAIR COMPETITION CLAIM

Under the unfair competition claim, the jury awarded plaintiffs compensatory damage for harm to their derivative work, "The Gentleman Tramp," as well as punitive damages. With respect to the statutory copyright claim, it has been determined that the trial court properly instructed the jury to consider harm to the derivative work in determining the applicability of the fair use defense. Here we consider CBS' independent argument that the unfair competition claim should have been dismissed because it was federally preempted by the copyright statute.

In *Sears, Roebuck & Co.* v. *Stiffel Lamp Co.*, 376 U.S. 225 (1964), the Supreme Court decided that a state could not, through the law of unfair competition, impose liability for the copying of a product which does not meet the federal criteria for patent protection. The Court held that an unfair competition claim involving the copying of a pole lamp design by a competitor was federally preempted. The Court stated, "the patent system is one in which federal standards are carefully used to promote invention while at the same time preserving free competition." *Sears, supra,* at 230-31. Since the pole lamp at issue had been held not to be entitled to patent protection for want of inven-

tion, plaintiff's design could be copied without violating the federal patent laws. "To allow a State by use of its law of unfair competition to prevent copying of an article which represents too slight an advance to be patented would be to permit the State to block off from the public something which federal law has said belongs to the public." *Sears, supra* at 232. The same result was reached in *Compco Corporation* v. *Day-Brite Lighting, Inc.*, 376 U.S. 234 (1964).

The *Sears-Compco* doctrine was qualified somewhat in *Goldstein* v. *California*, 412 U.S. 546 (1973), *reh. denied*, 414 U.S. 883 (1974). There the Court upheld a state law which protected musical recordings from unauthorized copying, although the federal copyright law did not protect such recordings. The *Sears* and *Compco* cases were distinguished by the fact that in *Goldstein* the lack of federal protection was not due to a failure to meet federal standards for protection; rather, the Court found that Congress had left this category of "writing" unattended and thus state protection did not conflict with "the careful balance which Congress had drawn" with respect to federally protected works. *Goldstein, supra* at 570.[7]

It is at least clear that the unfair competition claim in the present case does not fit squarely under the *Sears-Compco* doctrine. By allowing compensatory and punitive damages for harm to a derivative work, the law of unfair competition as applied in this case did not provide protection for works which failed to meet federal standards for copyright protection; to the contrary, the Chaplin films were

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[7] It has been noted that "the law of preemption in this area [is] in a state of disarray." *Orth-O-Vision, Inc.* v. *Home Box Office*, 474 F.Supp. 672, 683 n.11 (S.D.N.Y. 1979). For an excellent discussion, see *Orth-O-Vision* at 683-84.

protected from unauthorized copying under the federal copyright statute and the Compilation was protected under common law copyright.[8] *See F.E.L. Publications* v. *National Conference of Catholic Bishops,* 466 F.Supp. 1034, 1046 (N.D.Ill. 1978). CBS claims, however, that damage caused by the copying of the Chaplin films was *exclusively* cognizable under the federal copyright statute and therefore could not form the basis for a state unfair competition claim.

Plaintiffs respond that CBS' arguments are inapposite because the unfair competition claim related to harm to the derivative work, "The Gentleman Tramp" which was not claimed to have itself been infringed. However, the harm to plaintiffs' derivative work was cognizable under the statutory copyright claim. To the extent that CBS' infringement of plaintiffs' copyrights in the Chaplin films caused consequential harm to plaintiffs' derivative work, "The Gentleman Tramp," that harm could have been compensated along with direct harm to the Chaplin films themselves under the federal statute. *See* 1, *Nimmer on Copyright,* § 3.05, pp. 3-17, 3-19. Thus, the fact that the unfair competition claim does not rest on infringement of "The Gentleman Tramp" is not dispositive if the claim does rest solely on the infringement of plaintiffs' copyrights in the original Chaplin films.

CBS maintains that the unfair competition claim in this case protects the same interests vindicated by the federal copyright claims because both rest on the fact that CBS used plaintiffs' copyrighted works without authorization. If this premise were correct, there would be a serious question whether the award of punitive damages, available

[8] The 1909 Act left protection for unpublished works to the states. *See* 1, *Nimmer on Copyright,* § 2.02.

under the unfair competition claim but not under the statutory copyright claim, provided *greater* protection to copyrighted works than permitted by "the careful balance which Congress [has] drawn" with respect to federally protected works. *Goldstein, supra,* at 570. However, while the question is not easy, we conclude that the state and federal causes of action here are sufficiently dissimilar so that the state law does not stand "as an obstacle to the accomplishment and execution of the full purposes and objectives of Congress." *Goldstein, supra,* at 561, *quoting Hines* v. *Davidowitz,* 312 U.S. 52, 67 (1941); *see also Kewanee Oil Co.* v. *Bicron Corp.,* 416 U.S. 470, 479 (1974); *Zacchini* v. *Scripps-Howard Broadcasting Co.,* 433 U.S. 562, 577 (1977); 1, *Nimmer on Copyright,* § 1.01[B], p. 1-11 (1979).

The federal copyright statute protects copyrighted works against mere copying, even when done in good faith and even when not done to obtain a competitive advantage over the owners of the copyrights in the infringed works. The New York law of unfair competition, on the other hand, bans "any form of commercial immorality." *Metropolitan Opera Association* v. *Warner-Nichols Recorder Corp.,* 101 N.Y.S.2d 483, 492 (Sup.Ct. N.Y.Cty. 1950), *aff'd,* 107 N.Y.S.2d 795 (1st Dept. 1951). *See International News Service* v. *Associated Press,* 248 U.S. 215 (1918). A cause of action for unfair competition requires unfairness and an unjustifiable attempt to profit from another's expenditure of time, labor and talent, elements which are not required to state a cause of action under the copyright statute. While it is true that the same evidence of bad faith which may have reasonably been found to have negated CBS' fair use defense to the statutory copyright infringement claim would constitute the requisite unfairness under the unfair com-

petition claim, the fair use defense is an affirmative defense, as CBS recognizes (Tr. at 1860); on the other hand, plaintiffs bore the burden of proving unfairness with respect to the unfair competition claim. Moreover, a substantial element in CBS' misconduct was the taking of virtually the entire Compilation. Most of the statutory copyright infringement claims arise from the fact that the Compilation contained statutorily protected work. But the Compilation itself was protected only by *state* law, and CBS does not contend that the state law of common law copyright somehow preempts the state law of unfair competition. Given the facts of this case, it is reasonable to conclude that the finding of unfair competition was based primarily on the use of the Compilation and the fact that the use of the Compilation necessarily entailed an infringement of statutory copyrights in the original films added little if anything to the evidence supporting the finding of unfair competition.

In sum, while the finding of unfair competition may have been based *in part* on the fact that CBS used plaintiffs' copyrighted works without authorization, it also required a finding that CBS' conduct constituted commercial immorality and thus was also based on the evidence of bad faith presented in the case. (See p. 16 *supra.*) The fact that the basis for the finding of unfair competition may have partly overlapped the basis for the finding of statutory copyright infringement is insufficient to find the unfair competition claim preempted where, as here, the law of unfair competition serves to compliment, rather than conflict with, federal law. *F.E.L. Publications, supra.*

VI. THE PRIOR AUTHORIZATION DEFENSE

CBS claims that plaintiffs' representatives had authorized it to use excerpts from "Modern Times" and "City Lights"

and that such authorization presented no issue of fact, thus the statutory copyright infringement claims with respect to these two films should not have been submitted to the jury. CBS bases its argument on a March, 1972 letter agreement between CBS and Columbia Pictures (the United States theatrical distributors for the Chaplin films at that time) which granted CBS "in perpetuity, the irrevocable, non-exclusive right to use and exploit the footage as part of the above captioned broadcast, or any expanded, abridged or changed version thereof, in any manner and in any media whatsoever throughout the world." (Def. Ex. V).

CBS concedes that "the above captioned broadcast" referred to the "60 Minutes" program. It maintains, however, that the contractual language, by permitting "changed versions" of the "60 Minutes" broadcast, unambiguously authorized CBS to use the footage in question in its obituary tribute, "Chaplin." However, as plaintiffs contend, "60 Minutes" was a weekly prime time program with a regular cast and format; "Chaplin" was a special, one-time, late night obituary. The jury could have reasonably concluded that "Chaplin" was not an "expanded, abridged or changed version" of "60 Minutes." And, since the contractual language was ambiguous, the trial judge was correct in admitting parol evidence with respect to the parties' intent and in allowing the trier of fact to resolve the question. *Geary* v. *Data Development Corp.*, 403 N.Y.S.2d 600, 602 (3d Dept. 1978); *67 Wall Street Co.* v. *Franklin National Bank*, 371 N.Y.S.2d 915, 918 (Ct. App. 1975).

CBS also argues that Columbia and Classic Films (the United States theatrical distributor after Columbia which granted CBS a similar license) had authority to grant CBS a license "in perpetuity" to use the film clips on television. However, as plaintiffs point out, under their distribution agreements Columbia and Classic Films were only theatrical

distributors; their right to license the use of excerpts on television was limited to promotional broadcasts "in connection with exhibition for theatrical broadcasts." (Def. Ex. H ¶ 3(b); L, ¶ 1, p. 4). The jury could reasonably have concluded that Columbia and Classic Films had no authority to license CBS' use of the films in connection with its obituary tribute. CBS points to no evidence that its use of the two films was "in connection with" any theatrical exhibition of the films at the time Chaplin died. (Tr. 909-18). Whatever controversy may exist with respect to the right of a copyright owner or distributor to convey his copyright interests through perpetual licenses, *compare Rohauer* v. *Killiam Shows, Inc.*, 551 F.2d 481 (2d Cir.), *cert. denied*, 431 U.S. 949 (1977) *with* 1 *Nimmer on Copyright*, § 3.07 [A], it is axiomatic that no one can convey *more* than his own interest in a work. *See Gilliam* v. *American Broadcasting Companies*, 538 F.2d 14 (2d Cir. 1976).

Finally, the Columbia license pertained to specific footage from "City Lights" and "Modern Times." CBS, in its obituary special, used additional film clips from the two films besides those purportedly licensed. (PTO ¶ 64).[9]

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[9] CBS also challenges the $380. award for statutory copyright infringement of "The Gold Rush" on the ground that, since the visual portion of the film is in the public domain, its 1½ minute use of the music soundtrack was insubstantial as a matter of law, and thus plaintiffs did not make out a prima facie case with respect to "The Gold Rush." However, plaintiffs' copyright protects not only the right to use the soundtrack itself, but also the right to use it in synchronization with the film for which it was written. *Schroeder* v. *William Morrau & Co.*, 566 F.2d 3, 6 (7th Cir. 1977); *Hartford* v. *Patterson*, 91 F.2d 998, 1000 (2d Cir. 1937). In light of the evidence that the particular scene used (of Chaplin cooking and eating his shoe) was qualitatively important in the context of the entire film and that the music was important to the scene (Tr. at 1594-95), the jury, which saw both the CBS broadcast and "The Gold Rush", could reasonably have determined that CBS' use of the film was substantial.

VII. PUNITIVE DAMAGES

CBS challenges the punitive damage awards in this case first on the basis that, under New York law, punitive damages can only be awarded for a wrong aimed at the public generally, relying on *Walker* v. *Seldon*, 223 N.Y.S.2d 488 (Ct. App. 1961). We recently considered and rejected this proposition in *Banco Nacional De Costa Rica* v. *Bremar Holdings*, 492 F.Supp. 364 (S.D.N.Y. 1980). As we noted there, the New York Court of Appeals has addressed the issue since *Walker* and made it clear that proof of "gross, wanton, or willful fraud or other morally culpable conduct," even when not directed at the public generally, will support an award of punitive damages. In *Borkowski* v. *Borkowski*, 387 N.Y.S.2d 233 (Ct. App. 1976)(mem), the Court of Appeals pronounced that

> "it is not essential, as the Appellate Division stated, that punitive damages be allowed in a fraud case only where the acts had been aimed at the public generally."

See also, Chase Manhattan Bank, N.A. v. *Perla*, 411 N.Y.S. 2d 66, 69 (4th Dept. 1978) (punitive damages "may be awarded when the proof establishes that [defendant's] conduct is gross, wanton, or willful"); *Greenspan* v. *Commercial Insurance Co.*, 395 N.Y.S.2d 519, 520-21 (3d Dept. 1977) ("[a] cause of action for punitive damages in the absence of 'public fraud' does exist . . ."). As we understand the current New York law on the subject, punitive damages are appropriate where "the wrong is aggravated by evil or a wrongful motive or [where] there was willful and intentional misdoing or a reckless indifference equivalent thereto." *Le Mistral, Inc.* v. *CBS*, 402 N.Y.S.2d 815, 817 (1st Dept. 1978), *appeal dismissed*, 46 N.Y.S.2d 940 (1979).

CBS next contends that punitive damages should not have been awarded because the management official responsible for the relevant decisions, Richard Salant, did not know that plaintiffs had not authorized CBS to use its copyrighted material and thus CBS' conduct was not gross, wanton or willful. However, there was ample evidence that Russell Bensley, Director of CBS' Special Events Unit, knew that CBS had no permission to broadcast plaintiffs' copyrighted material, see *Doralee Estates* v. *Cities Service Oil Co.*, 569 F.2d 716, 722 (2d Cir. 1977). Moreover, Salant himself testified that he would have taken the same action even if he had known of plaintiffs' objections (Tr. at 942). And there was evidence that Salant ignored both his own written guidelines and a "caution flag" in authorizing the broadcast. (Tr. 963-66; Pl. Ex. 77, p. 36). The jury could therefore have reasonably found that CBS acted with reckless indifference to plaintiffs' rights. The trial judge's instruction that such indifference is a sufficient predicate for punitive damages was correct under *Le Mistral, supra.*

CBS asserts that amount of the punitive damage awards, ($410,000.) is excessive. The jury's assessment of punitive damages, however, "is properly within the discretionary province of the jury, and will be overturned only if 'shockingly' or 'grossly' excessive." *Doralee Estates* v. *Cities Service Oil Co., supra,* at 722, *quoting Faulk* v. *Aware Inc.*, 244 N.Y.S.2d 259 (1st Dept. 1963), *aff'd* 252 N.Y.S.2d 95, *modified* 253 N.Y.S.2d 990 (1964), *cert. denied,* 380 U.S. 916 (1965). Since deterrence is one of the central purposes of a punitive damage award, see *Walker* v. *Sheldon, supra,* at 491; *Doralee, supra,* at 723, and since CBS is "the largest advertising medium in the world" (Pl. Ex. 51), the total punitive damage award of $410,000. was not in excess of the jury's authority. "To function effectively,

the award must be 'of sufficient substance to smart . . . the offender.' " *Doralee,* supra, at 723, *quoting Reynolds* v. *Pegler,* 123 F.Supp. 36, 41 (S.D.N.Y. 1954), *aff'd* 223 F.2d 429 (2d Cir.), *cert. denied,* 350 U.S. 846 (1955). Nor, as CBS suggests, must punitive damages bear a proportionate relationship to compensatory damages, *see Doralee, supra* (affirming punitive damage award which was more than triple the compensatory damage award); *Reynolds* v. *Pegler, supra* ($1. nominal and $175,000, punitive damages).[10]

Finally, CBS maintains that the punitive damage awards on the unfair competition claim and on the common law copyright infringement claim are duplicative in that both awards redress injury to the plaintiffs' derivative work, "The Gentleman Tramp." However, contrary to CBS' assertions, any award for injury to "The Gentleman Tramp" was compensatory, not punitive. The special verdict returned by the jury here clearly distinguished both between compensatory and punitive damages and between the unfair competition and common law copyright infringement claims. Given the lack of evidence that the Compilation (the subject of the common law copyright) was commercially impaired by CBS' infringement, the jury awarded only $1. in compensatory damages. Its award of $300,000. in punitive damages

[10] CBS maintains that the "disproportionate" punitive damage award was made because the jury was "severely prejudiced" by plaintiffs' statement during opening argument that the CBS Broadcast Group's 1977 earnings exceeded $217,000,000. (Tr. at 70; Defendant's Brief at 108). But the award was not excessive, as noted above. Moreover, the trial judge made a cautionary remark about the statement (Tr. at 70-71). And the jury must have known from common experience that CBS is a corporate giant; if it didn't, then CBS' 1976 annual report, admitted into evidence without objection, at least informed them that CBS was the "largest advertising medium in the world." (Pl. Ex. 51).

reflects a finding that CBS' appropriation of the skill and labor which plaintiffs had invested in the Compilation, while not causing plaintiffs future economic injury, constituted gross, wanton or willful conduct. On the other hand, there was ample evidence that "The Gentleman Tramp" (the subject of the unfair competition claim) was commercially impaired by what the jury found to be CBS' unfair competition, hence the compensatory award of $300,000. on the unfair competition claim. Again, the punitive damage award reflects a jury finding that CBS' various unfair practices were egregious enough to warrant exemplary damages. In short, there is nothing to support CBS' speculation that both awards were made to compensate for injury to "The Gentleman Tramp." To the contrary, the special verdict reveals that this jury was especially conscientious in heeding the trial judge's careful instructions with respect to damages.

* * *

After careful consideration, we find CBS' challenges to the trial court's jury instructions and rulings on the admissibility of evidence to be without merit. CBS' motion for judgment notwithstanding the verdict and for a new trial is denied.

VIII. ATTORNEYS FEES AND DAMAGES IN LIEU OF JURY AWARD

Plaintiffs move for an award of attorneys fees under U.S.C. § 116 and Rule 37 of the Fed. R. Civ. Pr. They also move under 17 U.S.C. § 101(b) for damages in lieu of the amount awarded by the jury on the statutory copyright infringement count.

A. *Attorneys Fees*

Both under 17 U.S.C. §116 and Rule 37 the award of attorneys fees is within the discretion of the court. Plaintiffs contend that they are entitled to such an award because 1) CBS' infringement was deliberate; 2) CBS clearly increased plaintiffs' expense of litigation by dilatory tactics and uncompromising positions, and 3) the plaintiffs assumed a substantial risk and expense in prosecuting this suit.

There is no doubt that CBS' infringement was deliberate. When CBS used plaintiffs' materials it knew that they were copyrighted and that permission to use them had been denied. The question whether the infringement exhibited "bad faith and moral blame" (as contended by the plaintiffs) is considerably less clear. It is arguable that the jury's verdict granting punitive damages is a finding on their part that the defendant acted in bad faith. But that is not the end of the matter. In deciding whether an award of attorneys fees is appropriate, a determination of bad faith depends not only on whether a defendant deliberately used copyrighted material which it had been denied permission to use, but also on whether the defendant genuinely believed that, nevertheless, it had the legal right to make such use. Put another way, the issue of good faith or bad faith in this context depends in large part on the substantiality of the defense offered as justification for the offending acts. In this case, that question turns on the substantiality of CBS' theories of fair use, protection under the First Amendment, inapplicability of common law copyright to the case at hand and preemption by federal law of the unfair competition claim. While the disposition of CBS' motion to set aside the verdict decides all of those issues against it, nevertheless it cannot be said that the issues thus presented were insub-

stantial. We conclude that although CBS' defenses proved to be without merit, they were of sufficient substance to negate a finding that its conduct was in bad faith or morally culpable, at least for the purposes of awarding attorneys fees.

Both sides have submitted exceptionally voluminous affidavits and documentation on the question whether CBS deliberately engaged in dilatory tactics or took uncompromising positions which resulted in unnecessary expense of litigation. Supplemented by letters from counsel to the court, and by oral argument, this material has conveyed the "feel" of the litigation. The picture that emerges is one in which zealous counsel on each side pressed or defended the rights of their respective clients in a manner which regrettably has become the norm: time consuming and expensive pre-trial discovery, including occasional serious disagreements between counsel which have to be decided by the court. Upon objective analysis of the evidence, however, it cannot be said that plaintiffs have established that the behavior of defense counsel was deliberately and unnecessarily dilatory or that defense counsel's behavior unjustifiably contributed to plaintiffs' trial expense.

Plaintiffs' final argument in support of its request for attorneys fees is that such fees should be awarded because it took substantial risk in prosecuting the lawsuit. While there is no doubt that plaintiffs' expense (approximately $250,000.) has been considerable, its rewards from the litigation have been proportionate. A jury award of $410,000. in punitive damages goes far to recompense the plaintiffs for the risks taken.

While under the Act the award of attorneys fees is discretionary with the court, the Court of Appeals has pointed out that

"Since such a provision for attorney's fees is at variance with the usual practice in litigation before our courts, however, it has been sparingly used and the amounts awarded modest."

Orgel v. *Clark Boardman Co.* 301 F.2d 119, 122 (2d Cir. 1962).[11] *See also, Norbay Music, Inc.* v. *King Records, Inc.*, 249 F.Supp. 285 (S.D.N.Y. 1966); *Kinelow Publishing Co.* v. *Photography in Business, Inc.*, 270 F.Supp. 851 (S.D.N.Y. 1967); *Breffort* v. *I Had a Ball Co.*, 271 F.Supp. 623 (S.D.N.Y. 1967) and 3 Nimmer on Copyright, § 14.10[D] (1979 ed.).

Consistent with this philosophy the court had in an earlier case denied attorneys fees where the losing party (plaintiff in that case) had in good faith raised substantial legal issues. *Edward B. Marks Music Corp.* v. *Continental Record Co.*, 222 F.2d 488 (2d Cir. 1955). That philosophy has been followed in this court in such cases as *Morser* v. *Bengor Products Co., Inc.*, 283 F.Supp. 926, 929 (S.D.N.Y. 1968).

For the reasons indicated, this case appears to fall in the category of the cases cited, and accordingly plaintiffs' motion for an award of attorneys fees is denied

B. *Damages In Lieu of the Jury Award*

Under 17 U.S.C. § 101(b), the copyright owner is entitled to recover both compensatory damages and "all the profits which the infringer shall have made from such infringement . . . or in lieu of actual damages and profits,

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[11] The *Orgel* quotation cites Copyright Law Revision Studies prepared for the Subcommittee on Patents, Trademarks, and Copyrights of the Senate Committee on the Judiciary, Eighty-sixth Congress, Second Session.

such damages as to the court shall appear to be just . . . " The case law of this Circuit dictates that "where profits are not actually acsertained, or where damages are not proved, 'in lieu' statutory minimum damages *must* be awarded." *Robert Stigwood Group, Ltd.* v. *O'Reilly*, 530 F.2d 1096, 1101 n.11 (2d Cir. 1976) (emphasis in original), *cert. denied*, 429 U.S. 848 (1976). *See, also, Lottie Joplin Thomas Trust* v. *Crown Publishers*, 592 F.2d 651, 657 (2d Cir. 1978); *Peter Pan Fabrics, Inc.* v. *Jobela Fabrics, Inc.*, 329 F.2d 194, 197 (2d Cir. 1964).

Plaintiffs argue for a statutory award in addition to the damage award made by the jury on the grounds that (1) CBS' infringement was willful, (2) CBS benefited substantially from the infringement, and (3) the jury award did not fully compensate plaintiffs because it did not redress injury to their derivative work, "The Gentleman Tramp." Plaintiffs, however, do not provide any support (nor do we find any) for the proposition that CBS' willfulness alone warrants an additional damage award. Nor are we persuaded by the argument that an additional statutory damage award is necessary to compensate plaintiffs for injury to "The Gentleman Tramp." The ample compensatory damage award under the unfair competition claim was directed at harm to "The Gentleman Tramp" caused in part by CBS' infringement of plaintiffs' statutory copyrights. We do find, however, that CBS' profits from its infringement of plaintiffs' copyrights in the six films cannot be "actually ascertained" since the benefit retained by CBS resulting from its presentation of "Chaplin" and the increased audience enjoyed by the network during that time period consists of unmeasurable goodwill with its affiliates and increased stature and prestige vis a vis its competitors. A statutory damage award is therefore appropriate.

Plaintiffs contend that fourteen separate infringements occurred. According to plaintiffs, CBS infringed two of the copyrighted films when it prepared the "rough cut," and infringed all six films both when it copied and transmitted the Academy Awards program on December 25, 1977, and when it broadcast its special the next night. CBS claims that only one infringement occurred because the use of the films occurred in a single broadcast on a unified theme and thus the use of the films was homogeneous under the "heterogeneity" test, *see Davis* v. *E.I. DuPont de Nemours & Co.*, 249 F.Supp. 329, 337 (S.D.N.Y. 1966) ("a single integrated business transaction would result in one infringement . . ."). *Davis*, however, refers to multiple uses of a single copyrighted work. While infringement of overlapping copyrights of an entire work should be considered as a single infringement, *O'Reilly, supra* at 1102, CBS infringed six separate copyrights in six separate films, none of which were overlapping, and thus its contention that only one infringement occurred is difficult to accept. *See* 3 Nimmer on Copyright § 14.04[E]. In the circumstances of this case, it is unclear whether the preparation of the "rough cut," the copying of the Academy Awards program, and the actual broadcast should be treated as separate acts of infringement. While the copying and the broadcast of a copyrighted film were treated as separate infringements in *Iowa State Research Foundation, Inc.* v. *American Broadcasting Companies, Inc.*, 475 F.Supp. 78 (S.D.N.Y. 1979), here it is not at all clear whether the copying one day and broadcast the next day of the Compilation constituted a single business transaction under the "heterogeneity" test or one act under the "time" test, which looks to the amount of time which elapsed between separate acts. *Baccaro* v. *Pisa*, 252 F.Supp. 900 (S.D.N.Y.

1966). However, we need not decide this issue, nor whether the "rough cut" constituted two additional infringements, since we find that, in light of the total verdict, the compensatory and therapeutic deterrent purposes of the Copyright Act are served by an additional award of statutory damages of $5,000., which is within the statutory maximum if six infringements occurred and within the statutory minimum if fourteen infringements occurred.[12] This amount serves the statutory purpose of granting additional relief when an element of damages is incapable of actual ascertainment at trial while avoiding an indiscriminate application of the multiplier which could, especially in light of the total verdict in this case, lead to a "ridiculous and injurious award." *Davis, supra*, at 343-44.

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In sum, CBS' motion for a judgment notwithstanding the verdict and for a new trial is denied, plaintiffs' motion for an award of attorneys fees is denied and plaintiffs' motion for an additional award under 17 U.S.C. § 101(b) is granted in the amount of $5,000.

It is so ordered.

Dated: New York, New York
December 17, 1980

/s/ MORRIS E. LASKER
U.S.D.J.

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[12] In light of this disposition, we make no ruling on plaintiffs' claim that the statutory maximum may be exceeded here because plaintiffs gave CBS written notice that it could not use the copyrighted films. There is, of course, no requirement that the statutory maximum be exceeded whenever written notice was provided under the statute. *Alouf* v. *Expansion Products, Inc.*, 417 F.2d 767 (2d Cir. 1969).

APPENDIX C

Amended Judgment of the District Court

UNITED STATES DISTRICT COURT

SOUTHERN DISTRICT OF NEW YORK

78 Civ. 241

(SEAL)

ROY EXPORT COMPANY ESTABLISHMENT OF VADUZ, LIECHTENSTEIN, BLACK INC. A.G., FILMVERHUURKANTOOR DE DAM B.V., and rbc FILMS,

Plaintiffs,

—against—

COLUMBIA BROADCASTING SYSTEM, INC., and NATIONAL BROADCASTING COMPANY, INC.,

Defendants.

The issues in the above-entitled action having been brought on regularly for trial, before the Honorable Robert J. Ward, United States District Judge, and a jury on September 24, 25, 26, 27, 28 and October 2, 3, 4, 5, 9, 10, 11, and 12, 1979, and the parties having agreed that all claims asserted against defendant National Broadcasting Company, Inc. ("NBC") be dismissed, and at the conclusion of the evidence the Court having submitted the attached special questions to the jury, and the jury having answered the said questions, and the jury in so doing having returned a verdict in favor of the plaintiffs, and defendant Columbia Broadcasting System, Inc. ("CBS") having moved for a

judgment notwithstanding the verdict, or, in the alternative, for a new trial pursuant to Rule 50(b) of the Fed. R. Civ. Pr., and said motion having been denied by a decision and order of the Honorable Morris E. Lasker, United States District Judge, dated December 17, 1980, and plaintiffs having moved for an award of attorneys' fees pursuant to 17 U.S.C. § 116 and Rule 37 of the Fed. R. Civ. Pr. and for an award of statutory damages pursuant to 17 U.S.C. § 101 (b), and this Court (Lasker, J.), by said decision and order, having denied plaintiffs' motion for an award of attorneys' fees and having awarded plaintiffs an additional sum of $5,000 as statutory damages pursuant to 17 U.S.C. § 101 (b), it is

ORDERED, ADJUDGED AND DECREED: That plaintiffs ROY EXPORT COMPANY ESTABLISHMENT OF VADUZ, LIECHTENSTEIN, BLACK INC. A.G., FILMVERHUURKANTOOR DE DAM B.V., and rbc FILMS have judgment against defendant CBS in the amount of $717,281, together with interest thereon from October 18, 1979, and in the amount of $5,000, together with interest thereon from the date hereof, and costs in the amount of $14,401.66 and it is further

ORDERED, ADJUDGED AND DECREED: That the claims against defendant NBC be and they are hereby dismissed, with prejudice and without costs.

Dated: New York, New York
January 20, 1981

MORRIS E. LASKER
U.S.D.J.
R.C.

JUDGEMENT ENTERED 1/22/81

/s/ RAYMOND F. BINGHARDT
Clerk

APPENDIX D

CONSTITUTION:

Article I, Section 8, Clause 8 of the United States Constitution provides:

> The Congress shall have Power . . . [t]o promote the progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.

Article 6, Clause 2 of the United States Constitution provides:

> This Constitution, and the Laws of the United States which shall be made in Pursuance thereof; and all Treaties made, or which shall be made, under the Authority of the United States, shall be the supreme Law of the Land; and the Judges in every State shall be bound thereby, any Thing in the Constitution or Laws of any State to the Contrary notwithstanding.

STATUTES:

The 1909 Copyright Law, Title 17, U.S.C. § 1 *et seq.*, provides in part:

> Section 7. Copyright on compilations of works in public domain or of copyrighted works; subsisting copyrights not affected—Compilations or abridgements, adaptations, arrangements, dramatizations, translations, or other versions of works in the public domain or of copyrighted works when produced with the consent of the proprietor of the copyright in such works, or works republished with new matter, shall be regarded as new works subject to copyright under the

provisions of this title; but the publication of any such new works shall not affect the force or validity of any subsisting copyright upon the matter employed or any part thereof, or be construed to imply an exclusive right to such use of the original works, or to secure or extend copyright in such original works.

Section 101. Infringement—If any person shall infringe the copyright in any work protected under the copyright laws of the United States such person shall be liable:

(b) Damages and profits; amounts; other remedies—To pay to the copyright proprietor such damages as the copyright proprietor may have suffered due to the infringement, as well as all the profits which the infringer shall have made from such infringement, and in proving profits the plaintiff shall be required to prove sales only, and the defendant shall be required to prove every element of cost which he claims, or in lieu of actual damages and profits, such damages as to the court shall appear to be just, and in assessing such damages the court may, in its discretion, allow the amounts hereinafter stated. . . .

The 1976 Copyright Law, 17 U.S.C. § 101 *et seq.* provides, in part:

Section 103. Subject matter of copyright: Compilations and derivative works

(a) The subject matter of copyright as specified by section 102 includes compilations and derivative works, but protection for a work employing preexisting material in which copyright subsists does

not extend to any part of the work in which such material has been used unlawfully.

(b) The copyright in a compilation or derivative work extends only to the material contributed by the author of such work, as distinguished from the preexisting material employed in the work, and does not imply any exclusive right in the preexisting material. The copyright in such work is independent of, and does not affect or enlarge the scope, duration, ownership, or subsistence of, any copyright protection in the preexisting material.

Section 301. Preemption with respect to other laws

(a) On and after January 1, 1978, all legal or equitable rights that are equivalent to any of the exclusive rights within the general scope of copyright as specified by section 106 in works of authorship that are fixed in a tangible medium of expression and come within the subject matter of copyright as specified by sections 102 and 103, whether created before or after that date and whether published or unpublished, are governed exclusively by this title. Thereafter, no person is entitled to any such right or equivalent right in any such work under the common law or statutes of any State.

(b) Nothing in this title annuls or limits any rights or remedies under the common law or statutes of any State with respect to—

(1) subject matter that does not come within the subject matter of copyright as specified by sections 102 and 103, including works of authorship not fixed in any tangible medium of expression; or

(2) any cause of action arising from undertakings commenced before January 1, 1978; or

(3) activities violating legal or equitable rights that are not equivalent to any of the exclusive rights within the general scope of copyright as specified by section 106.

Section 504. Remedies for infringement: Damages and profits

(a) In general.—Except as otherwise provided by this title, an infringer of copyright is liable for either—

(1) the copyright owner's actual damages and any additional profits of the infringer, as provided by subsection (b); or

(2) statutory damages, as provided by subsection (c).

(b) Actual damages and profits.—The copyright owner is entitled to recover the actual damages suffered by him or her as a result of the infringement, and any profits of the infringer that are attributable to the infringement and are not taken into account in computing the actual damages. In establishing the infringer's profits, the copyright owner is required to present proof only of the infringer's gross revenue, and the infringer is required to prove his or her deductible expenses and the elements of profit attributable to factors other than the copyrighted work.

(c) Statutory Damages.—

(1) Except as provided by clause (2) of this subsection, the copyright owner may elect, at any time before final judgment is rendered, to recover, instead of actual damages and profits, an award of statutory damages for all infringements involved in the action, with respect to any one work, for which any one infringer is liable individually, or for which any two or more infringers are liable jointly and severally, in a sum of not less than $250 or more than $10,000 as the court considers just. For the purposes of this subsection, all the parts of a compilation or derivative work constitute one work.

(2) In a case where the copyright owner sustains the burden of proving, and the court finds, that infringement was committed willfully, the court in its discretion may increase the award of statutory damages to a sum of not more than $50,000. In a case where the infringer sustains the burden of proving, and the court finds, that such infringer was not aware and had no reason to believe that his or her acts constituted an infringement of copyright, the court in its discretion may reduce the award of statutory damages to a sum of not less than $100.

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No. 81-2111

IN THE

Supreme Court of the United States

OCTOBER TERM, 1981

COLUMBIA BROADCASTING SYSTEM, INC.,

Petitioner,

—v.—

ROY EXPORT COMPANY ESTABLISHMENT OF VADUZ, LIECHTENSTEIN, BLACK INC. A.G., FILMVERHUURKANTOOR DE DAM B.V. and RBC FILMS,

Respondents.

ON A PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

RESPONDENTS' BRIEF IN OPPOSITION

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Counterstatement of Questions Presented*

1. Whether the Court should review a claim of federal preemption as to a state cause of action for unfair competition involving the piracy of a common-law copyright, which was specifically preserved for state-law protection under the now-superseded 1909 Copyright Act?

2. Whether the Court should review a federal preemption question that is unlikely ever to arise again and presents no issue of lasting or general importance, because the 1909 Copyright Act, which governs this case, was repealed more than four years ago and the new Copyright Act no longer provides for state protection of common-law copyrights?

3. Whether the Court should review petitioner's claim that the court below made a factual error and misapplied state law in determining that the unfair competition claim was based on misappropriation of a common-law rather than federal copyright?

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* Respondent RBC Films is a wholly-owned subsidiary of Paramount Pictures Corp., which is a wholly-owned subsidiary of Gulf + Western Industries, Inc. The remaining respondents are closely-held foreign corporations, whose parent companies, subsidiaries and/or affiliates (if any) are also closely-held foreign corporations.

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No. 81-2111

IN THE

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COLUMBIA BROADCASTING SYSTEM, INC.,

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Respondents.

ON A PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

RESPONDENTS' BRIEF IN OPPOSITION

Statute Involved

This case is controlled by Section 2 of the 1909 Copyright Act (17 U.S.C. § 2, now superseded), which provided:

> Nothing in this title shall be construed to annul or limit the right of the author or proprietor of an unpublished work, at common law or in equity, to prevent the copying, publication, or use of such unpublished work without his consent, and to obtain damages therefor.

The 1909 Copyright Act was superseded six days after the events in this case by the Copyright Revision Act of 1976 (17

U.S.C. §§ 101 *et seq.*). The new Act has no counterpart to Section 2 of the 1909 Act. It abolishes the distinction between common-law and federal copyright protection (17 U.S.C. § 301).

COUNTERSTATEMENT OF THE CASE

Preliminary Statement

This case presents no issue worthy of certiorari. The Second Circuit (Newman and Kearse, C.J.J., and Daly, D.J.), like the District Court (Lasker, J.), correctly ruled that this litigation raises no constitutional question of federal preemption, because the state cause of action for unfair competition was based on the piracy of a common-law copyright specifically preserved for state law protection by Section 2 of the 1909 Copyright Act. CBS challenges the factual determination below that the unfair competition verdict was based on misappropriation of a common-law, rather than a federal, copyright. That challenge to a factual determination under a state-law claim hardly merits a grant of certiorari. Moreover, this litigation raises no issue of general or lasting significance that is likely to recur. It involves a unique set of facts and a copyright statute superseded almost 4 1/2 years ago.

The Facts

In 1972, the Academy of Motion Picture Arts and Sciences gave Charlie Chaplin a special award at the Academy Awards ceremonies telecast by NBC. Plaintiffs, who owned rights in various Chaplin feature films, prepared a 13-minute montage or Compilation of the highlights of Chaplin's films that was broadcast in connection with the awards ceremonies. The Compilation, prepared by a leading Hollywood producer and a well-known director with Chaplin's assistance, was widely recognized as a creative work of unique artistic merit (*See* pp. 6-8 *infra*).

After the Academy Awards program, plaintiffs and Chaplin commenced the preparation of a television retrospective about Chaplin, entitled "The Gentleman Tramp." At about the same time, CBS began work on a proposed television program about Chaplin to be aired at the time of his death. CBS requested plaintiffs' permission to use highlights of Chaplin's feature films (Pet. App. 4, 28).[1] Plaintiffs refused because they were preparing their own retrospective program (Pet. App. 4, 28). As a result, CBS prepared a television special about Chaplin that basically omitted excerpts from Chaplin films owned by plaintiffs.

Several years later, when Chaplin died, CBS decided not to use the program that it had originally prepared. Instead, CBS—without plaintiffs' permission and by means of misrepresentation—obtained from NBC an unauthorized copy of a videotape of the Compilation (Pet. App. 5, 38). CBS then featured the Compilation virtually intact in its Chaplin TV special. The Compilation, which comprised almost 40% of CBS' program, was the heart of its broadcast (Pet. App. 5, 29). CBS obtained the videotape of the Compilation by misrepresenting to NBC that it merely intended to use brief and selected excerpts on its nightly news program (Pet. App. 5, 38). CBS' conduct violated its own written guidelines and all industry standards as to proper practices in the television field (Pet. App. 21, 38). As a result of CBS' broadcast, which reached a record audience for its time period, plaintiffs were unable to license "The Gentleman Tramp" to a network in the United States at the peak time of viewer interest in Chaplin shortly after his death (Pet. App. 29, 56).[2]

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1 References to "Pet. App." are to pages of the two opinions below, as reproduced in the Appendix to the Petition for Certiorari. References to "Pet." are to pages of the Petition itself.

2 "The Gentleman Tramp" was licensed to television networks in other major nations throughout the world.

Judge Lasker, in a scholarly opinion denying CBS' post-trial motions (Pet. App. 24-62), succinctly summarized the key events:

> The facts are that CBS repeatedly requested plaintiffs' permission to use excerpts of the copyrighted films during the period from 1973 through 1977. Plaintiffs denied each request, making it perfectly clear that they would not grant permission because plaintiffs were themselves using the films to make their own Chaplin retrospective. Moreover, CBS acquired the Compilation from NBC based on the misrepresentation that it would use excerpts only on the nightly news. And CBS' conduct violated not only its own guidelines but also industry standards of ethical behavior. Finally, the dramatic ratings boost which CBS in fact enjoyed from the Chaplin special leads to an inference that CBS ignored plaintiffs' rights for its own commercial gain and prestige. As the trial court stated, "there was knowing, willful conduct spelled out as clear as I have ever seen it spelled out . . . ." (Pet. App. 38).[3]

Judge Lasker, agreeing with the trial judge (Judge Ward), found that CBS was guilty of "commercial immorality," "bad faith" and "reckless indifference to plaintiffs' rights" (Pet. App. 50, 54). The Second Circuit agreed (Pet. App. 20-21, 23).

Plaintiffs sued CBS for unfair competition in destroying the United States network marketability of "The Gentleman Tramp," for infringement of the common-law copyright in the Compilation, and for infringement of the federal copyrights in the Chaplin features. The jury awarded damages of more than $700,000—which approximated the lower range of a normal network license fee for a television special such as "The Gentleman Tramp." On this petition, CBS challenges only the award for injury to "The Gentleman Tramp" on the unfair competition count ($410,000).[4]

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3 Record citations in the quotation have been omitted.

4 While CBS repeatedly argues (Pet. 3, 7-8, 12-14) that injury to "The Gentleman Tramp" was in fact remedied under the statutory copyright

(continued)

REASONS FOR DENYING THE WRIT

The petition should be denied because (1) there is no issue of constitutional preemption since CBS pirated a common-law copyright; (2) there is no conflict with prior preemption decisions of this or other courts; and (3) the case does not raise questions of general or lasting importance, because it involves *sui generis* facts under a statute superseded almost 4 1/2 years ago.

I

THIS CASE DOES NOT RAISE A CONSTITUTIONAL ISSUE OF FEDERAL PREEMPTION. RATHER, CBS ASKS THIS COURT TO REVIEW FACTUAL AND STATE LAW QUESTIONS

This case does not present an issue of federal preemption under the Supremacy Clause of the Constitution (Art. 6, cl. 2). CBS pirated the Compilation. The Compilation, as found below (Pet. App. 16, 19, 47-48 & n.8) and now conceded by CBS (Pet. 6, n.6), is protected by a common-law copyright under New York State law by virtue of Section 2 of the now-superseded 1909 Copyright Act.[5] Since the 1909 Act preserved state common-law copyrights, it obviously did not at

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(footnote continued)

claim, under the kind of special verdict form requested by CBS and used by Judge Ward, the jury was given no opportunity to award such damages under that count and in fact did not. Rather, the modest amount of $7,280 awarded under that count is seen on the face of the verdict to constitute only the sum of six separate license fee awards for use of clips from six Chaplin films—totally unrelated to injury to "The Gentleman Tramp." That injury was redressed, as the District Court recognized (Pet. App. 60), by the award under the unfair competition claim.

5 The Compilation is an "unpublished" work entitled to common-law protection because a broadcast is not a "publication" that destroys common-law status (Pet. App. 17, 42). CBS now concedes that point (Pet. 6 & n.6).

the same time preempt state unfair competition claims based on the misappropriation of such copyrights.

Indeed, CBS itself established the principle that the *Sears-Compco* federal preemption doctrine[6] does not apply to a state unfair competition claim involving a common-law copyright. *Columbia Broadcasting System, Inc.* v. *Documentaries Unlimited, Inc.*, 42 Misc. 2d 723, 248 N.Y.S.2d 809 (Sup. Ct., N.Y. Co. 1964). There, CBS won an unfair competition action against a record company that had used a small portion of a CBS newscast, which was protected by New York common-law copyright despite its broadcast. The court agreed with CBS' position that the *Sears-Compco* preemption doctrine was irrelevant to an unfair competition claim involving common-law copyrights.[7]

Unable to challenge that legal principle it established, CBS is left to argue that the lower courts here made a factual mistake in finding that the unfair competition claim was based on the piracy of the common-law copyright in the Compilation. Rather, CBS argues that, because the Compilation was created from the raw material of clips from six copyrighted Chaplin films, the unfair competition claim was really based on its use of material protected by the federal copyright statute. That claim, repeated throughout CBS' petition (Pet. 3, 8, 9, 12, 18, 20), is the cornerstone of its position. All of CBS' other arguments are based on that claim.

But, as found below, CBS did not merely take clips from individual copyrighted films. It took the entire Compilation. The District Court found that the Compilation is "a separate,

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6 *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225 (1964); *Compco Corp.* v. *Day-Brite Lighting, Inc.*, 376 U.S. 234 (1964).

7 The court there declared:

> It is equally clear that the right of an author or proprietor of an unpublished work to common law protection and the application of state law of unfair competition in that field remains unaffected by these decisions [*Sears* and *Compco*] or the principles set forth in these opinions (42 Misc. 2d at 726, 248 N.Y.S.2d at 812).

individual creative expression" apart from the copyrighted clips (Pet. App. 43). Similarly, the Second Circuit found that the Compilation is "an original creative work, distinct from the films on which it draws" (Pet. App. 16). The Compilation was created by an award-winning producer (Bert Schneider) and an award-winning director (Peter Bogdanovich), with Chaplin's assistance. Their creative talents and expertise, in selecting, planning, sequencing and timing the individual excerpts, combined to produce a 13-minute Compilation of recognized artistic merit and distinctive value, independent of the clips from which it was fashioned.[8] Because of this, as the Second Circuit expressly noted, "plaintiffs, as owners of the Compilation, would have had a viable claim for unfair competition even if they did not hold copyrights in the films" (Pet. App. 22).

CBS itself recognized the independent artistic merit of the Compilation. To the CBS producers, it was far more than the mere "cutting and pasting" job which CBS now claims (Pet., p.6, n.6). Thus, rather than doing their own selection, editing, timing and artistic arrangement of clips, they used the entire 13-minute Compilation virtually intact. It was the centerpiece of the CBS program, constituting almost 40% of the broadcast.[9] The unique value of the Compilation is also shown by the

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8 Thus, the trial judge, in describing the Compilation, stated:

> . . . I can see a certain artistry to the manner in which the clips were put together. They were put together well. They flowed well. They made, at least in my judgment, for an entertaining presentation. They weren't just put up on the screen. They flowed like—if I may suggest it—a symphony. They really did.

(Tr. 794). [References to "Tr." are to pages of the trial transcript.] And the Compilation was listed among Bogdanovich's cinematic achievements in a biographical preface to a book of his writings on cinema (Tr. 1601-02).

9 It is thus a clear distortion of the record for CBS to state (Pet. 8) that it "gained access to the federally copyrighted Chaplin films" from NBC and that its commercial immorality lay in deceiving NBC "into releasing the Chaplin films." The record is clear that *NBC did not have the Chaplin films*. All NBC had was the unpublished Compilation—and that is what CBS obtained and used virtually intact.

lengths to which CBS went in order to obtain a copy, including misrepresentations to NBC. If CBS had merely wanted to use only isolated clips, it could have obtained them by renting Chaplin's feature films or by purchasing videocassettes of those motion pictures. Instead, CBS purloined the entire Compilation.

In any event, CBS' present claim that it used only individual copyrighted clips and not the Compilation is a factual issue rejected by the jury, the trial judge, the post-trial judge, and the Second Circuit. This Court does not sit to review such factual questions—even when they have not been so vigorously argued and so consistently rejected (*See* p. 9 *infra*).

The Second Circuit concluded that "the act of taking the Compilation, as an entity apart from the films, defines a distinct offense, caused distinct damage, and was the basis of the jury's finding of liability for unfair competition" (Pet. App. 21). The Second Circuit added:

> The commercial effectiveness of CBS's retrospective and the efficiency with which it was produced and shown were undoubtedly enhanced by the use of the plaintiffs' artistry in fashioning the Compilation from the raw material of the films. Moreover, CBS's conduct in obtaining the Compilation from NBC was commercially wrongful in a more serious way than use of film excerpts would have been. A decision to use isolated film clips to memorialize Chaplin's life could perhaps have been viewed as an act done in the good faith belief that such use was fair; but the additional decision not only to use the film clips, but to use them in a distinct and original form whose commercial potential, as CBS knew, reflected someone else's effort and creativity, precludes any thought of good faith. Under the circumstances, we think that the misappropriation is what renders unfair CBS's competition with "The Gentleman Tramp." *Indeed, the plaintiffs, as owners of the Compilation, would have had a viable claim for unfair competition even if they did not hold copyrights in the films.* (Pet. App. 21-22; emphasis added.)

Similarly, Judge Lasker held:

> [A] substantial element in CBS' misconduct was the taking of virtually the entire Compilation. . . . [T]he Compilation itself was protected only by *state* law, and CBS does not contend that the state law of common law copyright somehow preempts the state law of unfair competition. Given the facts of this case, it is reasonable to conclude that the finding of unfair competition was based primarily on the use of the Compilation . . . . (Pet. App. 50).[10]

Accordingly, the petition should be denied under several of this Court's well-established policies in dealing with certiorari petitions:

(1) As shown above, the opinion below rests on a clearly correct factual determination as to the basis for the state-law unfair competition verdict. In order to reach the constitutional question of federal preemption urged by CBS, this Court would have to reverse the factual determination that the state-law unfair competition verdict was based on the piracy of the Compilation as an independent artistic work. The Second Circuit's opinion makes it clear that this conclusion was one of New York State law, as applied to the facts of this case (Pet. App. 19). But this Court does not sit to review questions of

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10 In a like vein, Judge Ward charged the jury in a portion of his instructions immediately following the passage selectively quoted by CBS (Pet. 18-19):

> [T]he effort to profit from the labor, skill, expenditures, name and reputation of others constitutes unfair competition. The plaintiffs claim that they expended considerable labor, skill and money in the preparation of both the Compilation and "The Gentleman Tramp." They claim that *CBS appropriated their labor and skill by using the Compilation* without permission in the production of its obituary program, "Chaplin." (Emphasis added.)

fact[11] or state law.[12]

(2) Since the Second Circuit held that this case did not raise an issue of preemption, it specifically declined to consider the merits of the constitutional preemption question (Pet. App. 22, n.19). CBS' request for review of that question by this Court is inappropriate, because this Court does not ordinarily address for the first time issues which the Courts of Appeals have not even addressed.[13]

(3) Finally, this Court does not normally reach out to decide constitutional issues, such as preemption, when the decision below rests on independent nonconstitutional state and factual grounds.[14]

II

THE DECISION BELOW DOES NOT CONFLICT WITH ANY DECISION OF THIS OR ANY OTHER COURT

There is no basis for CBS' suggestion (Pet. 20-25) that the opinion below somehow conflicts with the rationale of other preemption precedents.

As the Second Circuit correctly ruled, the preemption doctrine is not even reached here because CBS misappropriated a common-law copyright preserved for state protection by the 1909 Copyright Act.

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11 *Graver Tank & Mfg. Co. v. Linde Air Products Co.*, 336 U.S. 271, 275 (1949); *Berenyi* v. *District Director, Immigration and Naturalization Service*, 385 U.S. 630, 635 (1967) (the Supreme Court "cannot undertake to review concurrent findings of fact by two courts below in the absence of a very obvious and exceptional showing of error").

12 *Ragan v. Merchants Transfer Co.*, 337 U.S. 530, 534 (1949) ("We ordinarily accept the determination of local law by the Court of Appeals . . . and we will not disturb it here").

13 *J. Truett Payne Co.* v. *Chrysler Motors Corp.*, 451 U.S. 557, 568 (1981); *Rice* v. *Sioux City Memorial Park Cemetery, Inc.*, 349 U.S. 70, 74 (1955).

14 *United States* v. *Clark*, 445 U.S. 23, 27 (1980); *Wood* v. *Strickland*, 420 U.S. 308, 314 (1975).

But, even if the preemption doctrine were applicable, there would be no preemption here. First, there is no conflict between federal and state policies—the *sine qua non* of federal preemption.[15] On the contrary, as Judge Lasker pointed out, "here the law of unfair competition serves to compliment rather than conflict with, federal law" (Pet. App. 50). Second, there can be no preemption where, as here, the state and federal causes of action are "dissimilar" (Pet. App. 49).[16] The federal copyright statute protects copyrighted works against mere copying, whereas New York's unfair competition law bans any form of commercial immorality (Pet. App. 49).[17] The

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15 As this Court said in *Kewanee Oil Co.* v. *Bicron Corp.*, 416 U.S. 470, 479 (1974):

> The only limitation on the States is that in regulating the area of patents and copyrights they do not conflict with the operation of the laws in this area passed by Congress . . . .

See also Goldstein v. *California*, 412 U.S. 546, 561 (1973); *Aronson* v. *Quick Point Pencil Co.*, 440 U.S. 257, 262 (1979); *Zacchini* v. *Scripps-Howard Broadcasting Co.*, 433 U.S. 562, 577 (1977). Accordingly, even after *Sears-Compco*, *supra*, absent a clash between federal and state law, unfair competition remains viable "in a wide variety of situations to insure that 'one may not appropriate the results of the skill, expenditures and labors of a competitor.' " *Flexitized, Inc.* v. *National Flexitized Corp.*, 335 F.2d 774, 781 (2d Cir. 1964), *cert. denied*, 380 U.S. 913 (1965).

16 1 *Nimmer on Copyright* § 1.01[B] at 1-11 (1980).

17 *Metropolitan Opera Association* v. *Wagner-Nichols Recorder Corp.*, 199 Mis. 786, 796, 101 N.Y.S.2d 483, 492 (Sup. Ct., N.Y. Co. 1950), *aff'd*, 279 A.D. 632, 107 N.Y.S.2d 795 (1st Dept. 1951). *See International News Service* v. *Associated Press*, 248 U.S. 215 (1918). CBS' present suggestion (Pet. 20-25) that *Wagner-Nichols* and *INS* are no longer good law in light of *Sears-Compco* is contradicted by CBS' own post-trial brief which stated (pp. 80-81): "The misappropriation theory of the *Wagner-Nichols* unfair competition claim falls within that established realm of claims which are not preempted and harkens back to the seminal [*INS*] decision." That view of the law, which is correct, negates CBS' present suggestion of preemption, even if this case did not involve a common-law copyright. *See Truck Equipment Service Co.* v. *Fruehauf Corp.*, 536 F.2d 1210, 1220 (8th Cir.), *cert. denied*, 429 U.S. 861 (1976); *Flexitized, Inc.* v. *National Flexitized Corp.*, 335

(continued)

federal copyright statute was surely not intended to wipe out New York State's policies as to "the maintenance of standards of commercial ethics." *Kewanee Oil Co.* v. *Bicron Corp.*, 416 U.S. 470, 481-82 (1973).

Finally, the precedents cited by CBS (Pet. 22-23) do not conflict with the opinion below. None involved unfair competition claims based on the piracy of common-law copyrights preserved for state protection by the 1909 Copyright Act. Instead, the cases cited by CBS involved either attempts to protect intellectual property that failed to meet the rudimentary requirements for federal protection[18] or state claims based on the mere copying of works that, unlike the Compliation, were already protected by the federal copyright statute.[19]

(footnote continued)

F.2d 774, 781 (2d Cir. 1964), *cert. denied*, 380 U.S. 913 (1965); *Leonard Storch Enterprises, Inc.* v. *Mergenthaler Linotype Co.*, [1979] Copyright L. Rep. (CCH) ¶ 25,092 at 15,525-27 (E.D.N.Y. 1979); Brown, *Unification: A Cheerful Requiem for Common Law Copyright*, 24 U.C.L.A. L. Rev. 1070, 1106 (1977) (even after passage of the new Copyright Act, "state common and statutory law of unfair competition flourishes").

18 *Durham Industries, Inc.* v. *Tomy Corp.*, 630 F.2d 905 (2d Cir. 1980) (copying of material uncopyrightable for lack of requisite originality); *Puddu* v. *Buonamici Statuary, Inc.*, 450 F.2d 401 (2d Cir. 1971) (copying of material published without required copyright notice); *Suid* v. *Newsweek Magazine*, 503 F. Supp. 146 (D. D.C. 1980) (copying of historical facts excluded from copyright protection); *Synercon Technology, Inc.* v. *University Computing Co.*, 474 F. Supp. 37 (N.D. Tex. 1979) (copying of uncopyrightable embodiments of ideas); *Triangle Publications, Inc.* v. *Sports Eye, Inc.*, 415 F. Supp. 682 (E.D. Pa. 1976) (use of uncopyrightable facts contained in plaintiff's publication).

19 *Riback Enterprises, Inc.* v. *Denham*, 452 F.2d 845 (2d Cir. 1971) (copying format of plaintiff's copyrighted greeting cards); *Cable Vision, Inc.* v. *KUTV, Inc.*, 335 F.2d 348 (9th Cir. 1964), *cert. denied*, 379 U.S. 989 (1965) (reception and broadcast of copyrighted television programs); *Mitchell* v. *Penton/Industrial Publishing Co.*, 486 F. Supp. 22 (N.D. Ohio 1979) (copying from copyrighted book); *Orth-O-Vision, Inc.* v. *Home Box Office*, 474 F. Supp. 672 (S.D.N.Y. 1979) (public performance of copyrighted films).

III

THIS CASE, WHICH INVOLVES A SUPERSEDED STATUTE AND NOVEL FACTS, DOES NOT RAISE AN ISSUE OF GENERAL IMPORTANCE OR QUESTIONS LIKELY TO RECUR

Certiorari is also inappropriate because this case does not raise issues of general or lasting importance. Indeed, the case is an historical oddity because of a subsequent change in law.

Six days after CBS committed the tortious acts at issue, the Copyright Act of 1909 was superseded by the Copyright Revision Act of 1976. Perhaps the most significant change effected by the new statute is the abolition of common-law copyright protection under state law (17 U.S.C. § 301).[20] Thus, since January 1, 1978, the effective date of the new law, there has no longer been any distinction between unpublished and published works; both have been covered only by federal copyright for the past 4 1/2 years.

But the claims in this case, which arose prior to January 1, 1978, are governed by the 1909 Act. Section 2 of that Act preserved common-law copyrights. Accordingly, the Second Circuit correctly held that plaintiffs' claim of unfair competition—based on piracy of a common-law copyright—was not preempted.

The 1909 Copyright Act and the legal rationale for the opinion below cannot apply to any cause of action which arose on or after January 1, 1978 (even if the work in question was created before that date).[21] And all statutes of limitations on hypothetical unfair competition claims arising before then have

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20 Brown, *Unification: A Cheerful Requiem for Common Law Copyright*, 24 U.C.L.A. L. Rev. 1070, 1089-1105 (1977).

21 *Strout Realty, Inc.* v. *Country 22 Real Estate Corp.*, 493 F. Supp. 997 (W.D. Mo. 1980); *Bromhall* v. *Rorvik*, 478 F. Supp 361 (E.D. Pa. 1979).

either expired by now or will soon expire.[22] In view of the significant change in the copyright law, it is thus virtually impossible that there can ever be another case presenting circumstances similar to this one—namely, an unfair competition claim involving theft of a common-law copyright.

Thus, the issues raised by CBS have virtually no general importance or lasting significance.[23] They are of interest, if at all, only to scholars of copyright lore. But "this Court does not sit to satisfy a scholarly interest" or to review issues of "isolated significance." *Rice* v. *Sioux City Memorial Park Cemetery, Inc.*, 349 U.S. 70, 74, 76-77 (1955). Nor does this Court grant certiorari when the applicable statute "has been repealed and the question is therefore not of public importance." *District of Columbia* v. *Sweeney*, 310 U.S. 631 (1940).

In short, this is a *sui generis* case, under a statute repealed more than four years ago. The issues have been reviewed by two separate district court judges and a Second Circuit panel, whose decision rests on factual and state law grounds. Further review by this Court is clearly unwarranted.

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22 *See, e.g.*, Cal. Bus & Prof. Code § 17208 (West Supp. 1982) (4 years); Ill. Ann. Stat. ch. 83, § 15 (Smith-Hurd Supp. Pamph. 1981-1982) (5 years); N.Y. C.P.L.R. § 214 (McKinney Supp. 1981-1982) (3 years).

23 Indeed, CBS itself recognizes "the limited future of the 1909 Copyright Act", which governs this entire case (Pet. 23).

CONCLUSION

For the foregoing reasons, the petition for a writ of certiorari should be denied.

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